

A USEFUL LOOK AHEAD FROM WASHINGTON

FEBRUARY 1971

Nation's Business



WHERE WILL
WE BE 20 YEARS
FROM NOW?

By Maurice H. Stans
Secretary of Commerce



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YOUR GOLF CLUBS AND YOUR
MOTHER-IN-LAW AND YOU DID?



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Nation's Business

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Cover photograph by Yoichi Okamoto

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DATE 9/30/70

MONTH-TO-DATE ANALYSIS OF

BREAKDOWN BY DEPARTMENTS	SALES CENTRE REGION NO. 1	SALES CENTRE REGION NO. 2	SALES CENTRE REGION NO. 3	S R
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#1-SUB A-SALS	23,163.02	2,954.04	10,295.38	
-BUDG	25,935.00	3,000.00	21,730.00	
-PCNT	89	96	47	
SUB B-SALS			17,507.00	

TOTAL 1-SALS
-BUDG
-PCNT

#2-SUB A-SALS
-BUDG
-PCNT

SUB B-SALS
-BUDG
-PCNT

TOTAL 2-SALS
-BUDG
-PCNT

#3-SUB A-SALS
-BUDG
-PCNT

SUB B-SALS
-BUDG
-PCNT



Tim Cutler, Miracle Adhesives, uses this report to compare actual sales with forecast. IBM has a booklet called "Management Reports in the Small Business." For your copy, write: Director Basic Systems Marketing, Dept. 807ANB, IBM Data Processing Division, 1133 Westchester Avenue, White Plains, New York 10604.

#4-SUB A-SALS	25,305.64	4,814.32	24,477.79	
-BUDG	30,580.00	7,920.00	28,510.00	
-PCNT	83	61	86	

SUB B-SALS
-BUDG
-PCNT

12,574.08

NTRE	SALES CENTRE	SALES CENTRE	SALES CENTRE	CROSSFOOTED
0. 4	REGION NO. 5	REGION NO. 6	REGION NO. 7	REGION TOTALS

.76	26,746.50	717.00		67,496.70
.00	25,600.00			82,265.00
60	1.04			82

				17,507.00
				18,420.00
				95

.76	26,746.50	717.00		85,003.70
.00	25,600.00			100,685.00
60	1.04			84

.10				148,006.37
.00				154,960.00
.24				

Tim Cutler never knew soon enough when sales were soaring or taking a nosedive. Now he does.

Tim Cutler is president of Miracle Adhesives, a small business in Bellmore, L.I., New York, that's growing fast.

But Tim Cutler wants it to grow faster.

Which is the reason he got System/3. IBM's small business computer.

Before, Tim never knew soon enough when sales shot up, so he couldn't take advantage of hot items.

With System/3, he knows.

He never knew soon enough when sales were off in a region, so he couldn't send help.

With System/3, he knows. The computer compares actual sales to forecast, by salesman, department, by region, whenever Tim Cutler wants it.

And right after Miracle makes a shipment, System/3 makes an invoice. With the order number, when shipped and how shipped.

System/3 analyzes receivables, too. It tells who owes how much, and for how long. So Tim Cutler no longer ships to credit risks.

Tim Cutler says this is just a beginning. He's planning to expand his use of System/3 to include accounts payable and inventory control.

It takes up-to-date information to make a business grow. Tim Cutler gets it. So do more than one thousand other organizations now using System/3. To learn how you can profit from System/3, contact your local IBM office.

IBM

The company behind the computer



**If the fellow you built the business with passed away
could you put up with his brother-in-law in his place?**

We can help keep him out of your hair.

The loss of a co-owner in a close corporation can open up a nasty can of worms.

His heirs, or their representative, can suddenly tell you, "move over."

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MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

You still see and hear comments about the last session of Congress, even though the new one is under way.

Most of the comments are critical; President Nixon, for example, claimed Congress "fell short of the mark." And most of the criticism is based on what the Ninety-first Congress didn't do rather than what it did. Some folks want to measure the lawmakers by the number of laws they pass, whether good or bad.

You get a considerably different slant when you look at the record from the business point of view. Maybe it wasn't the best Congress ever, but it certainly wasn't the worst.

Business wound up with a good deal more pluses than minuses.

One of the biggest pluses, of course, was the refusal of Congress to pass the guaranteed annual income proposal. Another was that automatic increases in Social Security payments weren't enacted.

The fact that the protectionist foreign trade bill failed to pass also would be a plus in the eyes of most businesses.

And there's no doubt that all of business is better off without the big new consumer agency that had been proposed. And without the proposed power for consumers to get together and file "class action" lawsuits against business.

Passage of the bill to crack down on organized crime also was a big plus.

• • •

You can find both pluses and minuses in some of the other bills that were passed. The Clean Air Act, for example, left it up to states to set emission standards, which business would favor. But it gave the federal government power to set quality standards, which may be pretty bad. And it set unreasonable standards for the automobile industry.

The postal reform legislation was probably good, and it didn't contain the closed shop requirement that business opposed. But it did include compulsory arbitration.

I am sure business favored continuing to give food stamps to poor people, and most of us applaud the requirement that these people, where physically able, should be willing to work. But I think most of us oppose the continuation of giving food stamps to strikers.

Passage of the Occupational Safety and Health bill could also be counted as a plus and a minus, both. The bill wasn't nearly as bad as the version which unions had made their number one objective.

Naturally, the Chamber of Commerce of the United

States was in there pitching the whole two years, because that's its job—to represent the business point of view. And it's right back in the ball game for the new session.

• • •

Unfortunately, many of the proposals which would be harmful for business and the country are back again.

Certainly, there will be another great effort to pass the guaranteed annual income for everybody, whether they work or not. A cost you'd have to bear.

Akin to this are proposals for a national health program. This could be one of the most dangerous of all. If everyone could go to the doctor or hospital for every sore toe at government expense, our whole health care system could break down.

• • •

And foreign trade legislation is still an issue, too. You can get a good analysis of what legislation like that would mean from the article by Howard Piquet on page 37. He's a top authority, formerly the man in charge of that subject for the Legislative Reference Service in the Library of Congress.

The article is a condensation of a study he prepared for us. We took out a few of his most intense personal feelings to be more fair to everyone.

• • •

The new Congress undoubtedly will consider a raft of proposals on pension plans, too. We've summarized them on page 21, along with a report on the hidden time bomb of early retirement. Some of these days, so many people may be retiring early that you and other businessmen just won't be able to find the money to pay them pensions—or to find people to replace them. A long-range trend, but one to watch.

• • •

Consumer issues are back again, of course, as are the things labor wants. There will be a new fight on raising and extending the minimum wage and another on giving enforcement powers to the Equal Employment Opportunity Commission.

Not much chance right now for what's really needed—labor law reform. Congress probably isn't going to do much about curbing the monopoly power of unions until the public lets it know how essential such a curb actually is.

Jack Woodbridge

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A LECTURE ON STUDENTS AND CAMPAIGNS

• The question of "The Campus and the Campaigns" was reviewed in your October issue ["Sound Off Response"] and emotionally disinterested by Judith Grande in her letter published in January.

I was amused by reader Grande's letter, as I saw it only a few days after reading an editorial in the November *Brown Alumni Monthly*. Brown, at least, seems to have found the "time off to campaign" idea considerably less than 100 per cent successful. These words weren't used, but "goofing off" and "idiotic" certainly wouldn't have seemed out of place in this editorial.

Now, I'm very pleased that Judith Grande was inspired by her hard work in last May's Pennsylvania primary campaign. And my hat is off to her and others like her, for I know that it's hard work.

But once again, a minority—well-intentioned, possibly, but small—has bamboozled a bunch of schools into doing something pretty foolish.

At one school, at least, the whole thing fell as flat as yesterday's pancakes. And the net effect was just as distasteful: A little group of activists imposed their wishes on a much larger group of students who would evidently have preferred just going to school. The majority may have been pretty dull, but after all, they were the majority!

Whither democracy, indeed?

C. W. D. GAYLEY

Manager, Capacitor Engineering and Manufacturing
Hawthorne Works
Western Electric Co.
Chicago, Ill.

Fuming over "Smoke Screen"

• As a businessman, I find your editorial "Behind the Smoke Screen" [December] very disturbing. If all that business can offer in dealing with the problems of environmental pollution is represented by your five short paragraphs, then the businessman will forfeit his chance to participate in finding sensible solutions to them.

The lack of logic and the distortion of fact that is the stuff of which your editorial is made contributes nothing to our search for much needed answers.

No responsible conservationist has suggested that we "outlaw automobiles, industrial plants, electric power, kitchen stoves . . ." as you suggest. What has been suggested and what will be necessary is that all of us, in the interest of a better life for each of us, accept certain restrictions on our activities.

The idea is not a new one as you seem to imply. Perhaps you have not heard of the right of eminent domain, or traffic laws that say you can't drive your car anywhere you want and as fast as you want.

HAROLD E. SCOTT
Orlando, Fla.

[Editor's Note: We were attempting to make exactly the same point as our reader—that we must make compromises to reach sensible solutions.]

Voices must be heard

• The article "Advice to a New Congressman" [December] says: "... But one way to get in trouble is to get too closely involved with people who have a personal angle on legislation."

I hope that not all Congressmen take this advice as 100 per cent gospel truth, for there may be what is called "a voice crying in the wilderness" in hopes that someone will listen to injustices to which others may be afraid to call attention.

Listening to some of these voices, and investigation, may reveal something that not only would help the Congressman politically but would bring to light practices that are not in accordance with law and morality.

FLOYD E. CAMP
Roulet, N. Mex.

Gone by the boards

• Re your "Business: A Look Ahead" [December] note on two-by-fours.

A builder visited a lumber dealer

Ingalls Shipbuilding Corporation
M P I Industries, Inc.
Masonite Corporation
International Paper Company
R. G. LeTourneau, Inc.
Kellwood Company
Armstrong Rubber Company
U. S. Industries, Inc.
Seminole Manufacturing Co.
Blue Bell, Inc.
Babcock and Wilcox Co.
Universal Manufacturing Corp.
of Mississippi
American Bosch Arma Corp.
Stahl-Urban Company
Vickers, Inc.
D. H. Baldwin Company
Futurian Manufacturing Corp.
Midland Shirt Company
Amory Garment Co., Inc.
Hercules, Inc.
Meadows Sportswear, Inc.
Presto Manufacturing Company
Baxter Laboratories
McQuay, Inc.
Westinghouse Electric Corp.

Spartus Corporation
Taylor Machine Works
Pennsylvania Tire & Rubber
Dover Corporation
Atkins Saw
Wellington Manufacturing Co.
Wells Lamont Corp.
Con-Plex, Inc.
La-Z-Boy South, Inc.
Mississippi Chemical Corp.
St. Regis Paper Company
Douglas and Lomason Co.
Haspel, Inc.
Walker Manufacturing Co.
Pleetway Pajamas, Inc.
William Carter Company
Guntown Slacks
Mid-South Packers, Inc.
Standard Oil of Kentucky
Wilson Manufacturing Co.
Coastal Chemical Corp.
American Box Company
Basila Manufacturing Co., Inc.
Collinswood Poultry Div.
Movie Star, Inc.
N. A. Rockwell Corporation
Superior Coach Corporation
U. S. Electrical Motors, Inc.
Delta Trouser Company
Glenn Manufacturing Co.
Neco Electrical Products Corp.
U. S. Gypsum Co.
Brown Shoe Company
Beneke Corporation
Metalcraft Company
Oxford Manufacturing Co.
Wurlitzer Company
Foot Caress Shoe Company
Irwin Manufacturing Co.
J. A. Olson Company
Stadium Manufacturing Company
Groff Metal Products, Inc.
MFC Services—AAL
Southbridge Plastic Products, Inc.
United States Plywood
Windon Manufacturing Co.
Johnston Lawn Mower Division
B.V.D. Company, Inc.
Century Electric Co.

There's a lot of America

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Mississippi.

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Edward Hyman Co.
Erwin Mills, Inc.
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Tishomingo Shoe Company
Big Yank Corporation
Bryan Brothers Packing Co.
ITT Telecommunications
Sanderson Farms, Inc.
Anderson-Tully Company
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John Bell Williams
John Bell Williams, Governor

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San Francisco... by Willy Mucha, Chevalier de L'Ordre des Arts et Lettres

San Francisco... jewel of the West.

Gateway to the Pacific. Grandeur built on a proud heritage. A Phelps Dodge city where it's all happening.

Look closely, all round the Bay, you'll find Phelps Dodge everywhere. Our copper pipe and tubing transporting gas and water...our coaxial cable carrying radio and TV signals...our copper-nickel condenser tubes helping to generate steam at local power plants...our high-voltage cables distributing electricity downtown and to outlying towns. Telephone wire and cable, communications antennas, magnet

wire, bronze valves and fittings, copper mill products... wherever you look, you'll find Phelps Dodge products at work.

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and ordered 100 "four-by-twos," and the dealer attempted to correct the builder: The proper way to order, he said, was "100 two-by-fours."

The builder excused himself to check with "Stash," his partner. When he came back, he stated, "O.K.! Stash says 100 two-by-fours."

The dealer then asked the builder, "How long?" With a puzzled look, the builder excused himself. He went outside to check with Stash, and came back. The dealer again asked, "How long do you want these studs?"

The builder answered, "Stash says we'll need them for a long time. We're building a house."

I'm certain all users of wood studs are not as confused as the builder and Stash, but for sure it will take time to think $1\frac{1}{2} \times 3\frac{3}{4}$ or $1\frac{1}{2} \times 3\frac{1}{2}$ and still say "two-by-four."

PAUL R. EGGERT
District Sales Manager
National Gyrotron Co.
Harrisburg, Pa.

Females and fan mail

• I have received many fan letters as a result of appearing in "Those Powerful Powder Puff Executives" [November]. The most interesting ones come from college students asking my advice on how to prepare for executive positions. That is the kind of letter I enjoy answering.

JANE R. EVANS
President
J. Miller
New York, N. Y.

Here's HIS John Hancock

• Re your preliminary report [December] on your "Name the 10 Greatest Men of American Business" poll.

May I respectfully suggest that your staff—should John Hancock be named among the top businessmen—consult William T. Baxter's "House of Hancock: Business in Boston 1724-1775" (published in 1945) before extolling his business virtues.

The fact is, John's uncle, Thomas, built the House of Hancock over a 40-year period and was, in my opinion, one of the greatest business strategists in American business history.

Nephew John permitted the House to grind to a standstill in less than a decade; he was a poor businessman.

I'm afraid that your voters have confused John's political prominence

with his business attainments; at the least they have confused him with Uncle Thomas. John, it might also be noted, had nothing to do with the insurance company that bears his name; it was founded long after his death.

DAVID L. LEWIS
Professor of Business History
University of Michigan
Graduate School of Business Administration
Ann Arbor, Mich.

[Editor's Note: Winners in the ballot-
ing will be announced next month.]

Words on encouragement

• Re "The Uphill Road to Black Capitalism" by Charles L. Frankel [December].

In general, I found the article interesting and informative, but of limited constructive value. We all can no doubt go on and on with the whys and wherefores of this one seemingly ever-present black problem. However, we also are aware that the ever-present habit of pointing out a preponderance of negatives yields just that. A negative!

I would suggest adopting a more positive attitude about the successful aspects of the few black enterprises mentioned and not mentioned in the article. Efforts on the part of black businessmen and business women have been greatly hampered, to say the least, by a negative approach in the past.

I would also suggest a more thorough search for facts and figures on the new, sincere effort being put forth by the successful black businesses today.

We all know they are small and relatively few in number, but therein lies the real solution to this problem. These small seeds of success must be nourished with encouragement, favorable publicity and venture capital.

I am not a black businessman or a white liberal social reformer—just an ordinary American who knows an injustice when he sees one. Where shall we go from here?

JOHN P. TREGOE
Baltimore, Md.

HOW OFTEN HAVE YOU WISHED...

that you could "get away from it all" to your own hide-away homestead on a peaceful tropical island — where you can relax, unwind and escape the hustle and bustle of today's busy life — where you can walk uncrowded beaches, swim all year in the purest ocean water in the world and breathe again the clean, fresh smog-free air that God intended you to breathe?



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EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

- The controller's role
- Shaping up on forms
- Enriching the workweek
- Checking your balances

How financial executives tick

Bill Smith is controller of XYZ Corp.—annual sales, \$49 million.

He's a very sociable guy. He knows his job down to the last jot and tittle. And he works like a dog.

Jim Brown is controller at a firm of the same size—ABC, Inc.

He's something of a loner. He also shuns detail and palms off as much of it as he can on subordinates.

But Bill Smith, that hard-working son of a gun, is less successful than Jim Brown.

It took Bill longer to land his job. He's 46, and Jim's only 41.

Also, Bill Smith makes less money—\$23,000 to Jim Brown's \$28,000.

Nothing odd about this, says a recent survey by A. T. Kearney & Co., Inc., for the Financial Executives Institute.

"Successful financial executives are more often cast in Brown's mold," a Kearney spokesman says.

"They tend to be strong silent types who shun the limelight. Not that they're timid. Instead, they tend to have strong qualities of leadership. But they tend to work behind the scenes—where they can get the most done with the least fanfare."

The study revealed traits considered most important by the most and least successful financial executives.

MOST SUCCESSFUL

1. Being a leader.
2. Wanting to do new things.
3. Being emotionally controlled.
4. Being a fast thinker.
5. Being best at whatever you do.

LEAST SUCCESSFUL

1. Being emotionally controlled.
2. Being a leader.
3. Personally finishing a task.
4. Being on the go.
5. Wanting to do new things.

"The more successful can be best described as self-starters," a Kearney & Co. spokesman says.

"And that's not startling. All successful managers tend to be those who take the initiative, make systems change or offer provocative ideas and suggestions—even those that run contrary to the popular view.

"In many ways, the difference between the more successful executive and the less successful one may be a matter of courage."

How to make a paper profit

It's a quiz.

How much of their time do clerks spend handling forms? Check one.

- ☐ 20 per cent
- ☐ 35 per cent
- ☐ 50 per cent
- ☐ 65 per cent

No matter which you check, you're wrong, according to one expert.

Actually, clerical workers spend 75 per cent of their time reading, writing, computing, punching, filing, consulting or otherwise handling forms, he reports.

"That's why a good forms control program pays off," says C. L. Bateman, executive vice president and general manager, Ross-Martin Co. "It cuts costs—and boosts profits."

How?

"By doing four things," he says:

- Ends useless paper shuffling.
- Makes needed paper work more efficient.
- Helps control what clerks do.
- Gets the right data to the right place fast.

The first step, Mr. Bateman says, is to find out how many forms you're using—and how.

"Most companies have no concep-

tion of the number or kind of forms being used within their organization. In companies for which I have made surveys, there were three to 10 times more forms in existence than management thought."

Next, says John L. Olsen Jr., assistant director, Methods Department, Liberty Mutual Insurance Cos.:

- Weed out forms you don't need.
- Simplify those you do.

Messrs. Bateman and Olsen, and other experts, discuss the subject in the Association for Systems Management booklet, "Forms Design & Control."

How much does paper work cost you?

"A commonly used rule of thumb," says Mr. Olsen, "is this. For every \$1 you pay the printer for your forms, you pay \$20 to store, use, file and dispose of them."

Headed for the four-day week?

"I hope not," one expert says.

"Americans don't know how to use the leisure time they have now," adds Roy W. Walters, management consultant.

"After all, there's only so much TV to watch. And only so much beer to drink."

One way to head off a mad dash for a shorter workweek, he says, is "job enrichment."

That, he adds, "is a psychologist's fancy phrase. It means making a job less boring."

"Too many jobs have been reduced to the idiot level. Not only on the assembly line. In offices, too."

His firm, Roy W. Walters & Associates, specializes in this new management tool.

"Many jobs have been stripped of opportunities for achievement, responsibility or opportunity for growth. Job enrichment means restoring these elements to the employee's tasks. It makes him happier at his work. But that's not the main goal."

"The goal is to save money—by making more efficient use of a company's human resources."

Bankers Trust Co. of New York, a client of Mr. Walters' firm, tried job enrichment in one big operation—typing stock certificates.

"The bank," he explains, "is probably the nation's biggest handler of

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EXECUTIVE TRENDS

continued

stock transactions. It's the transfer agent for many big corporations.

"When you buy a share of their stock, the certificate goes to Bankers Trust. It issues a new certificate—with your name typed on it—and cancels the old.

"It employs maybe 60 or 70 people in this typing operation.

"Job enrichment saved the bank \$300,000 a year—on this operation alone."

A series of innovations gave individual employees more responsibility and more variety in their work, Mr. Walters says, reducing absenteeism, saving supervisors time and increasing efficiency.

He has one caveat.

"Anyone going into job enrichment is going into a whole new style of management.

"You don't just plug it in—then walk away. You've got to know how to make it operate—and continue it."

Gold in them thar tills

You're richer than you think.

At least, most companies are, one financial whiz says.

"Often, they have more cash than they realize," explains Ward L. Reed Jr., vice president and director, Profit-Improvement, Inc.

"Trouble is, they look at the balance on their checkbook—instead of

the balance on the bank's ledgers.

"For one thing, they ignore how much money they have in 'float'—checks they've written that haven't been cashed, and cleared.

"On the company's checkbook, that money is spent. But on the bank's ledger, it's still credited to the firm's account. And of course, the bank can lend that money—less reserve requirements.

"A big company's float can be pretty constant—and amount to millions. It alone may be enough to repay a bank for the services, except for borrowing, that it performs for the company."

Cash in transit often amounts to a sizable sum, too, Mr. Reed points out.

"It may come," he notes, "to six or seven days' average daily receipts. Take a company with annual sales of \$500 million. Its cash in transit would be about \$8 million."

Here are two ways he suggests to tap these virgin lodes:

- Collect incoming cash quicker.
- Count part of your float as cash.

Many big companies could free for productive use 30 per cent or more of the cash they hold, Mr. Reed believes.

"We took a look at 12 typical industries," he says, "and found that within the same industry some companies manage their operations with cash equal to 0.2 per cent of sales, while others have cash equal to 7 per cent.

"Obviously, for some, there's room for improvement."

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PANORAMA

of the nation's business

BY VERNON LOUVIERE
Associate Editor

A Vital Service for Ex-Servicemen

The nation's employers are being told that the most effective way for America to pay tribute to its military veterans can be expressed in a single word—jobs.

President Nixon last October launched a Jobs for Veterans program in which he hopes to get the cooperation of every employer of 10 or more workers.

Openings for ex-servicemen—particularly the younger ones who are seeking civilian employment for the first time—are in greater demand as some one million veterans try to break into the labor market annually.

"Jobs for Veterans is a nationwide effort to highlight the quality of the American veteran, whose blend of skills and self-discipline make him an ideal candidate for employment," President Nixon has said. "He has proved himself in the military—all he needs is the opportunity to demon-



NAPF PHOTO - WAYNE W. WALLACE

Joyous scenes like this turn sour for returning veterans when they find no jobs awaiting them. Businessmen are being urged to cooperate.

strate that he can contribute as much in civilian employment."

National chairman of the drive is James F. Oates Jr., retired chairman and chief executive officer of Equitable Life Assurance Society. He explains the program's goal:

"What we seek is a true, national commitment to assure that the returning serviceman gets a fair shake in the labor market, to mobilize the nation's conscience and energies in behalf of the veteran and to foster action programs in every community

designed to open job opportunities for all who have served."

President Nixon has written to each of the 50 Governors and to mayors of the 150 largest cities urging them to throw their support behind the program. The number of servicemen being discharged is expected to rise substantially in each of the next several years if the planned withdrawal from Viet Nam continues on schedule. About one fourth of them will enter schools and colleges, but most will be looking for jobs.

Treasure Chests of Technology Unlocked

Patent sharing, or "technology transfer" as some choose to call it, is catching on in more and more big companies.

Traditionally, it has been the practice to keep unused patents and other technological information under lock and key against the day they might be put to commercial use.

General Electric, American Standard and National Cash Register, among others, have come to the conclusion that there are advantages to sharing this technological knowledge rather than letting it gather dust.

GE, for example, has launched Business Opportunities Service, under which it licenses outside firms—

large and small—to manufacture a variety of products made possible by GE-owned patents and other technological ideas.

GE holds the world's biggest portfolio of unexpired patents—some 12,000 in all.

"Essentially, we provide a potential licensee with a complete package prepared by our own GE professionals," says Edward G. Fronko, manager of patent and technology marketing. "It provides information about the opportunity, its status of development, its advantages, its market and its competition. And that's only a beginning."

Beyond that, the company supplies technical background data, figures on material and production costs, information about required manufacturing facilities, a discussion of the support GE can provide and

a listing of the patent coverage. A Senate committee recently pointed to the GE program as an example that other companies, as well as federal agencies, might emulate in transferring technological information to small businesses, state agencies and others.

"We recognize that the transfer of technology from one firm to another in the past has been a difficult, time-consuming, and expensive process—with mixed results at best," Mr. Fronko explains.

"A key function of our service is the evaluation process we perform, which is focused upon the commercial potential of the technology we offer. Few firms have the skilled manpower or the finances required to screen and evaluate potential opportunities—so we help them do it."

continued on next page

Earn-and-Learn Program Scores With Employers

Here are college youngsters who don't make the newspaper headlines.

Some helped the moon program at Cape Kennedy. Some are conducting research on fish diseases for the Tennessee Valley Authority. Others are working in Congressional offices, or testing lipstick and perfume in Food and Drug Administration laboratories. Or collecting samples of marine life in the Gulf of Mexico.

All are active in the University of South Florida's Cooperative Education Program, which for 10 years has been placing students in jobs with private industry and government to help pay their way through school.

Fifty-seven per cent wind up by taking permanent jobs with the employers they worked with as students, according to George H. Miller, the program director. That number would approach 100 per cent, he says, were it not for the military obligations of male students and for the attrition among unmarried girls.

Although the South Florida approach is not unique, it does have more diversity than similar programs in other universities. The students



These students help pay their way through school by working with the U. S. Bureau of Commercial Fisheries in St. Petersburg, Fla.

work full time, attending school in alternating quarters. Most of them save between 25 per cent and 33 per cent of their earnings during the working quarter. The savings are applied toward expenses when they return to school the following quarter.

"It takes the student longer to get his degree but upon graduation he usually commands a better salary than other new graduates," Mr. Miller points out. "Employers, aware of the value of on-the-job experience as opposed to knowledge gained entirely from the textbook, show this

awareness with larger pay checks."

Among the participating employers are such well-known names as Chrysler, Du Pont, Pratt & Whitney, IBM, Ford, Union Carbide, Westinghouse, Goodyear, International Nickel and Texas Instruments.

One company describes the students as "good, mature, intelligent individuals." Another refers to them as "very responsive and easy to work with." Still another praises the program as "an excellent method of recruiting and training qualified students before graduation."

Industry Is Listening to a "Consumer Voice"

When a "consumer voice" to handle complaints about home appliances was activated almost three years ago, some critics were ready to wager that it wouldn't work.

They were wrong.

The Major Appliance Consumer Action Panel has had a commendable track record.

The Association of Home Appliance Manufacturers, the Gas Appliance Manufacturers Association and the American Retail Federation sponsor MACAP, but it functions completely free of interference by the sponsoring groups.

The panel reviews consumer complaints which haven't been solved satisfactorily at the local level and where a deadlock seems to have

occurred in arriving at a satisfactory solution with the manufacturer.

These complaints are handled on a personal basis with the manufacturer, distributor, dealer or service agency.

Complaints come in from various quarters—from individual consumers, from the White House's Office of Consumer Affairs, from Senators and Congressmen and from other sources.

Dr. Virginia F. Cutler, chairman of the Family Economics and Home Management Department at Brigham Young University, heads the panel. None of the panelists has any connection with the major appliance industry and all are consumer-oriented.

MACAP began operations in March, 1968, and its effectiveness has been indicated by the disposition of complaints it has received.

It says that, for example, it has

satisfactorily resolved 74 per cent of complaints involving gas appliance manufacturers. Another 21 per cent are still being investigated; only 5 per cent have been chalked up as "unresolvable."

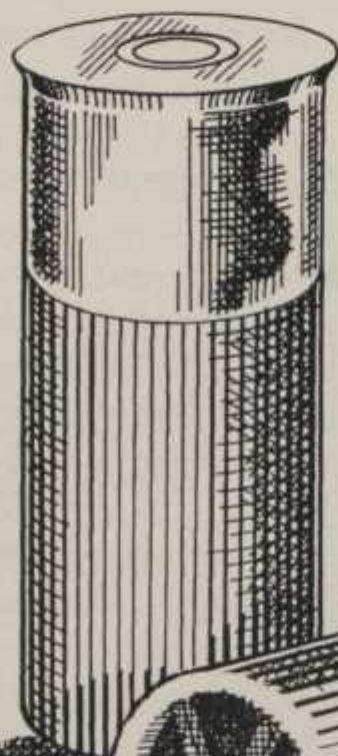
"A most commendable aspect... was the fact that a large group of very competitive business organizations recognized a common problem which required the cooperation and dedicated interest of all if it were to succeed," Dr. Cutler says.

MACAP has been described as "an industry conscience on the care and treatment of consumers on major appliance purchases and ownership."

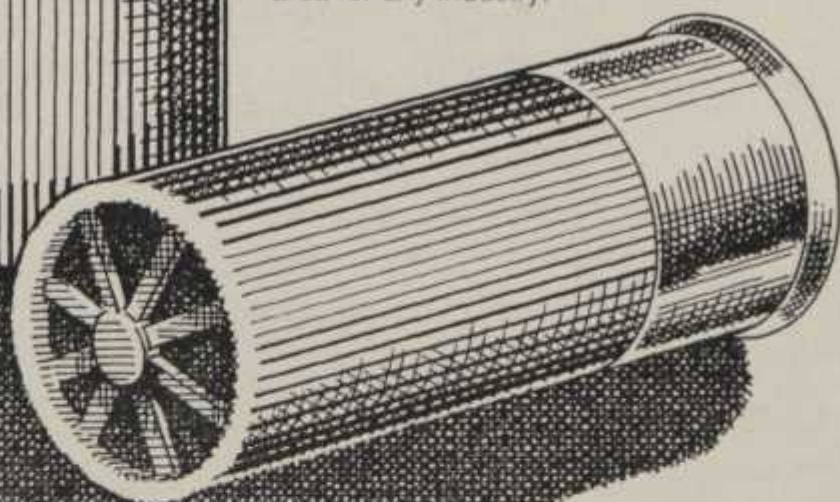
Reports Dr. Cutler: "It is a noble experiment and thus far some significant gains have been made. The democratic idea of having a consumer voice to industry is working successfully."

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Worksharing.

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by the people of North Carolina.



SOUND OFF TO THE EDITOR

IS COLLEGE EDUCATION BEING OVERSOLD?

Just before World War II only about 10 million Americans either had or were getting a college or university education.

Since then emphasis on higher learning has soared.

This year alone, more than seven and a half million Americans are enrolled in universities and colleges.

Even after considering the growing complexities of earning a living and otherwise dealing with the problems of modern life, this higher education explosion causes many people to ask: Is all this education really needed?

Or, to put it another way: Is college education being oversold?

There are points on either side of the question.

Those arguing that the answer should be Yes say companies sometimes insist on a college degree for certain jobs when such education is not really needed. Many careers call for high technical training, but not an academic degree, they note.

Others, pointing out that only half of the students who start college ever finish, wonder if this is not a tremendous waste of time and money and one possible explanation for frustration in youth.

Wouldn't it be better, they ask, to upgrade community technological col-

leges—make these two-year institutions more prestigious?

Those arguing that the answer should be No say, for one thing, that our technological revolution demands professionals and other highly educated workers. Many of our social ills stem from the educationally disadvantaged, they say.

Every child—not merely the privileged one—should be able to look forward to a university education, they say. And isn't this country so rich and diversified that it can afford places in college for all its young?

What do you think? Is college education being oversold?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Is college education being oversold?

☐ Yes ☐ No

Comments:.....

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Name and title.....

Company.....

SOUND OFF CURBING AN IMPORT RESPONSE

No. That was the majority answer to last month's "Sound Off to the Editor" question—"Should There Be a Federal Ombudsman?"

The idea of appointing an official to represent ordinary citizens who can't resolve problems with the federal government through ordinary channels is not a good one, readers said.

And even many of those favoring the idea did so with strong reservations about whether such an official could be effective.

Proposals for establishing an ombudsman's office are being advanced with increasing frequency both in and out of Congress as the federal government grows bigger, more complex and more remote.

The word ombudsman comes from Sweden, where there is such an official.

Readers opposing the importation of the idea into this country held that members of Congress are supposed to look after constituents' problems, that the federal bureaucracy is already big enough without adding another agency and that an ombudsman would have little chance of success.

J. M. Lengyel, internal manager, Parke, Davis & Co., Atlanta, Ga., wrote that "only Santa Claus could meet the requirements of an effective ombudsman. Another bureau established to cut through red tape is just that—another bureau. What we need is governmental simplification."

Randall Storms, headmaster, Wichita Collegiate School, Wichita, Kans., wrote that he is "totally opposed." Said Mr. Storms: "Government needs to be reduced, not increased. In theory, Senators and Congressmen are supposed to perform the ombudsman's function."

Parker B. Potter, Eastern regional sales manager, Peabody Coal Co., Columbus, Ohio, also was among the many who wrote that the answer to an already too-complex government was simplification, not expansion.

"Government should adopt a more businesslike approach," he said. "Additional cost is not justified when

modification could produce the same result."

D. F. Weaver, owner of D. F. Weaver Co., Dallas, Texas, suggested that each government agency dealing with the public have its own machinery for handling complaints of citizens.

"An ombudsman would become a superpolitician seeking favors for himself," Mr. Weaver commented. Several other readers also suggested that individual agencies improve their public relations as an alternative to the ombudsman idea.

David S. Lautner, vice president, Lautner Homes, Inc., Pensacola, Fla., questioned, as did a number of other readers, whether an ombudsman could achieve the results foreseen by advocates of the concept.

"I believe a federal ombudsman would be in a position to do very little to rectify an unjust situation caused by bureaucrats," Mr. Lautner said. "Without the actual pressure of individual citizens in a concerted effort, I fail to see where an ombudsman's office would be much other than an additional government agency."

On the other side, H. R. Moore, president, Bergstrom Paper Co., Neenah, Wisc., said appointment of an ombudsman was "long overdue."

A suggestion that a number of ombudsmen be elected from various parts of the country was advanced by William F. Luther, president, Lutex Chemical Corp., Chattanooga, Tenn. Their effectiveness would be improved if they were popularly elected, he said.

Mr. Luther strongly favored the idea of such officials: "Ombudsman-type services are clearly needed," he said. Otherwise, he explained, "our government-society relationship will suffer grossly from decreasing respect and trust."

Paul Benavidez, director, Success Associates International, Los Angeles, Calif., also said the job should go to more than one man. He favored an office of nine, appointed by the President and approved by Congress.

Terms would be for eight years and staggered. However, J. P. McCandless, personnel manager, P. F. Avery Corp., Billerica, Mass., argued for one ombudsman who would be elected every two years.

Several who favored the ombudsman idea doubted its effectiveness.

Carl H. Steffen, director of the Armstrong County Planning Commission, Kittanning, Pa., endorsed the proposal only in the hope that "adding another layer of confusion to the federal bureaucracy might hasten its downfall."

Paul R. Wiseman, district manager, Britling Service Corp., Nashville, Tenn., saw "a great need for an ombudsman" but added: "I fear there would be the same red tape jungle getting to the ombudsman as there is to the different agencies today and J. Q. Public would be in his usual spot—behind the eight-ball."

"Let's give it a try," said Gene Stewart, account executive, R. K. Johnson & Co., Inc., St. Petersburg, Fla. "We can only hope. . . . There must be some way to get action out of the bureaucrats."

But Louis Loeffler Jr., president, Federal Corp., Oklahoma City, Okla., argued that consideration of an ombudsman plan is premature.

"We should talk about nothing new in government programs or employment until the budget is balanced," he wrote. Furthermore, Mr. Loeffler said, "government has never been the answer, but only the problem. We need less government."

A similar view was given by James L. Gormley, business manager, Rapid City Medical Center, Rapid City, S. Dak., who wrote that "there are sufficient approaches available now to individuals with grievances. . . . We need economies in government and fewer bureaus, not more."

Members of Congress can serve the same purpose as an ombudsman "if we give them a chance," said William J. Hill, president, Manpower Development Institute, Littleton, Colo.

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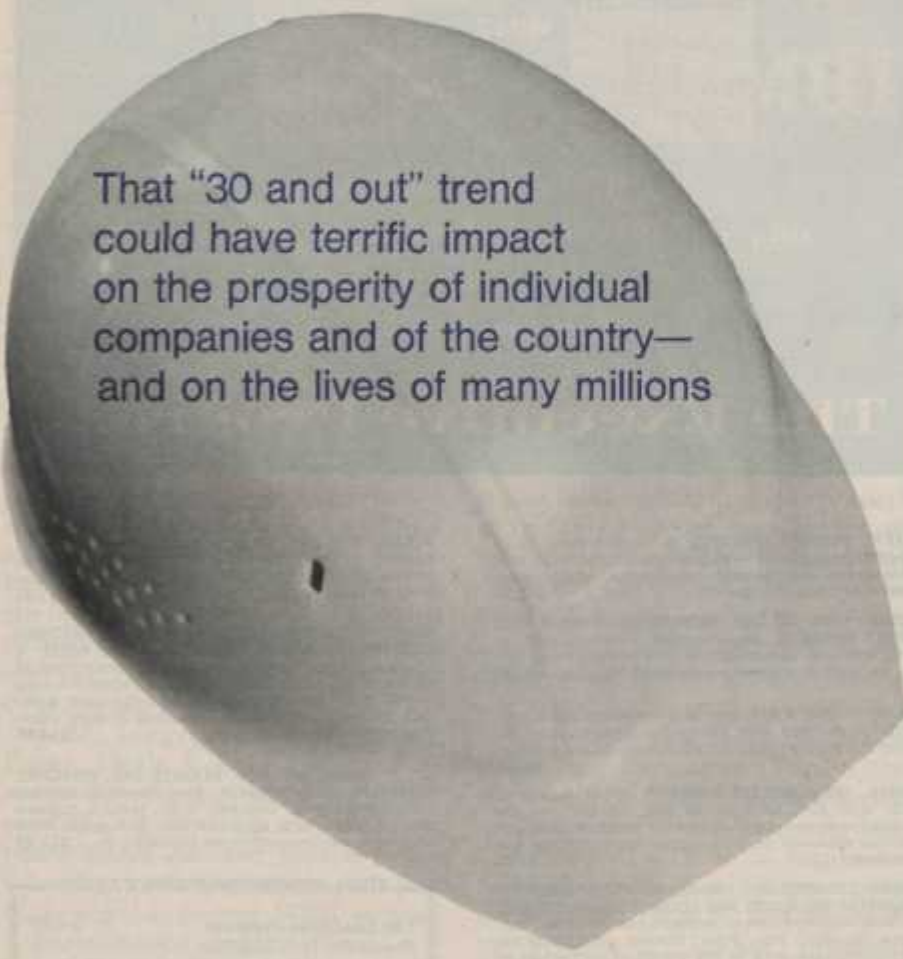
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The Early Retirement Time Bomb



That "30 and out" trend could have terrific impact on the prosperity of individual companies and of the country—and on the lives of many millions

That ticking you hear is from the early retirement time bomb.

If the trend towards retiring after 30 years of work at any age accelerates, it is not inconceivable that by the year 2000 most Americans will work only half of their active years. It also:

- May mean many companies will go out of business in the years ahead, both because of cost and loss of skilled workers.
- Could affect the United States' ability to hold its position as the world's leading industrial nation.
- Poses serious economic and social problems for many employees who take early retirement, only to find fool's gold at the end of the golden years rainbow.

With longevity steadily increasing, and medical science on the verge of unlocking secrets of aging, the government and some major unions are still pushing toward lower retirement ages—instead of postponing the point when the most skilled and experienced withdraw from the nation's manpower resource pool.

There is little indication that labor or government has really taken a hard, long-range look at the consequences. More and more businessmen are doing so, and they see the troubles ahead.

"It doesn't make sense," a well-known actuary says.

"It will lead to economic disaster," bluntly states a leading economist.

"Is it really retirement?" asks a businessman.

When could this retirement bomb go off?

The bumper crop of post-World War II babies will be in their 50s at the turn of the century, but the explosion could come sooner says economist Dr. Ewan Clague, the respected former head of the government's Bureau of Labor Statistics.

"The 1970s," he says, "loom as the retirement decade."

John B. Martin, special assistant to the President for aging and director of the 1971 White House Conference on Aging, sees two very marked trends: "The first is towards increases in the older part of our population; the

second is towards even earlier retirement."

Postwar pension boom

Since World War II there has been an explosion in private pension plans, sparked by a Ford-United Auto Workers bargaining agreement in 1949 which guaranteed a \$100-a-month pension for hourly-wage auto workers at 65.

That retirement age of 65 is a heritage from Germany's Chancellor Otto von Bismarck, who established it for "soldiers of labor" in 1882.

Although life expectancy has steadily increased since Bismarck set the bench mark, only in recent years could American men and women as a whole expect to reach 65. It stands today as the "normal" retirement age for most private pension plans and full Social Security payments.

However, early retirement provisions are becoming the rule rather than the exception in pension plans.

In 1961 the Social Security program was amended to permit men to take reduced benefits at 62, as women already could. Currently, about half of the men and two thirds of the women who retire take this option and 62 is generally considered the "normal" early retirement age.

But a number of plans offer "special" early retirement at lower ages with reduced benefits. The United Auto Workers scored a major breakthrough in 1965 when it exacted a \$400-a-month company-paid pension for workers at age 60 with 30 years of service.

In negotiations with General Motors last fall, the UAW sought full retirement benefits at any age after 30 years of work. It didn't get that, but it succeeded in having the "special supplemental" pension boosted to \$500 per month and the age dropped to 58 this coming Oct. 1 and to 56 on Oct. 1, 1972.

Under the new contract, workers may retire earlier than age 58, but with benefits reduced 8 per cent for each year. Thus a man retiring at 48 would receive \$100 a month.

At 62, those electing to take the

A variety of private pension plan legislation is expected to come before the Ninety-second Congress, some noncontroversial in nature, but some highly controversial. One aim will be to strengthen the 1958 Welfare and Pension Plans Disclosure Act.

Expected noncontroversial issues:

- Establishment of federal fiduciary responsibility standards for pension and employee benefit plan administrators and trustees, to guarantee the highest standards of honesty in administration of the plans. There would be provisions for recovery of losses suffered because of improper conduct by trustees.
- Requiring annual audits, and placing some limit on investment of pension funds in securities of the employer.
- Barring persons convicted of certain crimes from serving as trustees.

Both the Johnson and Nixon Administrations have introduced such legislation, and there is general support from labor and management for strengthening the Act.

But there are contentions that some proposed additional costly legislation appears unnecessary and harmful. These bills, which would involve new federal controls over virtually all private pension plans, are highly controversial. Called for are:

1. Minimum standards for vesting pension benefits. Vesting is the guaranteeing of pension benefits to an employee who has worked a specified number of years or has reached a certain age, even though he is no longer working for the company at retirement age. For example, all employees with 10 or more years service after age 25 would have to be vested.
2. Minimum standards for funding of plans. Funding is the process of accumulating, usually over many years, assets in a pension fund which are irrevocably earmarked to pay future benefits. For example, even where a pension plan gives credit to employees for past service—the 20 or 30 years they worked while their company had no pension—assets would be required to cover all vested liabilities within a fixed period of years.

3. Federal insurance to protect against plan terminations. Involved would be some system of guaranteeing benefits to employees when a company which goes out of business has a plan whose assets are insufficient to cover its liabilities. For example, set up an insurance corporation in the U. S. Department of Labor and require all pension plans to pay premiums to it.

4. Portability of pension benefits. This would be an arrangement whereby pension credits earned with different employers would be combined through some central clearing house to pay an individual his final pension at retirement. For example, if an employee left a company, the pension fund would have to transfer to a federal pool enough assets to cover that employee's vested pension benefit.

The Johnson Administration did not give White House endorsement to any of these proposals. The Nixon Administration is studying them, particularly vesting. Bills on these subjects have been considered at a number of hearings held during the past five years.

Business supports sound programs of funding and vesting, but it opposes new federally dictated standards. It contends these standards would impose needless costs, reduce flexibility in pension and related fringe benefit planning, tend to destroy free collective bargaining and inhibit private pension growth. Unions have mixed feelings. Many multi-employer unions would oppose vesting or funding standards.

Points made against any broad new federal legislation are that statistics show most pensions do vest and that vesting periods are becoming shorter; that private pension plans are adequately funded; that pension insurance is unworkable unless you assess good plans to support poor plans; and that pension plans as they now exist do not inhibit employees from moving into jobs with new employers.

With \$138 billion in assets and the future of private pensions at stake, there will be major legislative battles if any of these controversial proposals are seriously pushed in the Ninety-second Congress.

The Early Retirement Time Bomb *continued*

early retirement will have the supplemental pension reduced as they begin drawing Social Security. At age 65 they revert to the normal pension plan that provides \$7.50 a month for each year of work, plus Social Security.

In December, Ford agreed to the same provisions and the other auto makers (Chrysler in January) were following suit. And they are forewarned that early retirement demands will continue. UAW President Leonard Woodcock says the current provisions are not enough.

"We got '30 and out' by definition," he said following the GM agreement. "It is now clearly established that a worker with 30 years of seniority has the right to retire with a pension."

Pleasing the rank and file

The UAW obviously will not be satisfied until its members can retire at any age without a reduction in benefits.

Early retirement, the UAW leadership contends, is what the rank and file want. The younger worker sees it as a means of opening up opportunity for advancement; the older worker, as a chance to leave the monotony of the production line.

The UAW predicts that half of those eligible will take early retirement. Management agrees.

Earl R. Bramblett, GM's vice president for personnel and chief negotiator, says his firm knows from previous experience with early retirement "that a significant number of people would utilize '30 and out.'"

He recalls 1965, the year that the \$400-a-month pension went into effect. In a three-month period, 5,800 (17 per cent of those eligible) chose early retirement. Twenty-one per cent of the retirees were skilled craftsmen, a number about equal to the total then in apprenticeship training.

For the whole year, GM retirements increased threefold.

"At the present time," Mr. Bramblett said last September, "there are 16,820 GM hourly employees with 30 or more years of service. Of these, almost one third are skilled tradesmen. Coming right behind this large group are 24,235 with between 25 and 29 years of service." Of these, he noted, one fourth are skilled tradesmen.

"Losing such a large number of highly skilled and experienced personnel could be a crippling blow," he emphasized at the start of the negotiations.

If predictions based on past experience hold up, about 8,000 eligible workers at GM will take early retirement. This means \$48 million more each year in pension payments—two years earlier than anticipated.

In 1969, GM's retirees drew pensions of \$191.6 million. Going into the \$2.6 billion fund from which the payments came was a \$254.8 million company contribution plus \$158 million from investments.

Costly to company

GM declines to reveal the added cost in cents per man hour for the new plan. The UAW doesn't either, officially.

But several industry experts tell NATION'S BUSINESS the cost will be 12 or 13 cents per man hour. The UAW is understood to estimate it at seven cents.

GM does have a figure for the cost of training apprentices to replace retiring skilled craftsmen—\$36,000 for a tool and die maker, for example (the figure does not include fringe benefits). The training takes four years.

In December, the IEU electrical workers in GM's divisions got the same pension plan as the auto workers.

What will be the effect on other businesses if the UAW pattern becomes universally adopted? Edwin F. Boynton, an actuary with the Wyatt Co., a Washington, D. C., pension consulting firm, puts it bluntly:

"A lot of companies won't be able to afford it."

The costs, he says, are significant. A business which lowers the minimum age for full retirement benefits from 65 to 60 faces a 40 to 50 per cent increase in pension costs, he says. To drop it even further, say to age 55, means a comparable increase. For a 10-year drop in the retirement age without a reduction in benefits, the most conservative cost increase estimate is 75 per cent.

"Early retirements," Mr. Boynton observes, "are now generally accepted more than was originally thought."

While the emphasis is still on the 60-65 age bracket, he expects that

earlier retirement will be widespread by the end of the decade.

Spreading far and wide

It already is common in federal, state and local government pension plans. This is one of the items that has contributed to financial crises many of these governments face today, and the situation is likely to worsen as demands increase.

For example, New York City's sanitation workers now may retire on half pay at any age after 20 years of service, with the pension based on the last year's earnings. Transit workers may retire on half pay at age 50 after 20 years of service. New York's policemen were bargaining for full-pay pensions after 25 years in a new contract to replace one that expired on Dec. 31. Firemen, who already have full pensions after 35 years on the job, were asking the same.

Federal government employee unions have served notice of a coming demand—full pension after 30 years of service at any age, instead of the current 55.

To what extent the early retirement option would be exercised by employees of businesses generally is still at best an educated guess although two university studies have focused on the subject.

Both agree on the conditions that are conducive to electing early retirement.

The adequacy of retirement income is overwhelmingly the most important factor, followed far behind by the workers' health and by job dissatisfaction.

Although the employee is much happier with his job than the UAW, for example, argues he is, it seems to be true that if the money were right, one out of three blue-collar workers with 30 years of seniority would retire early, with the figure rising in some industries like auto manufacturing.

Other unions

This month the United Steel Workers will reveal specific demands for the bargaining year when talks formally open with car manufacturers. On July 31, USW's existing contracts with the steel industry expire.

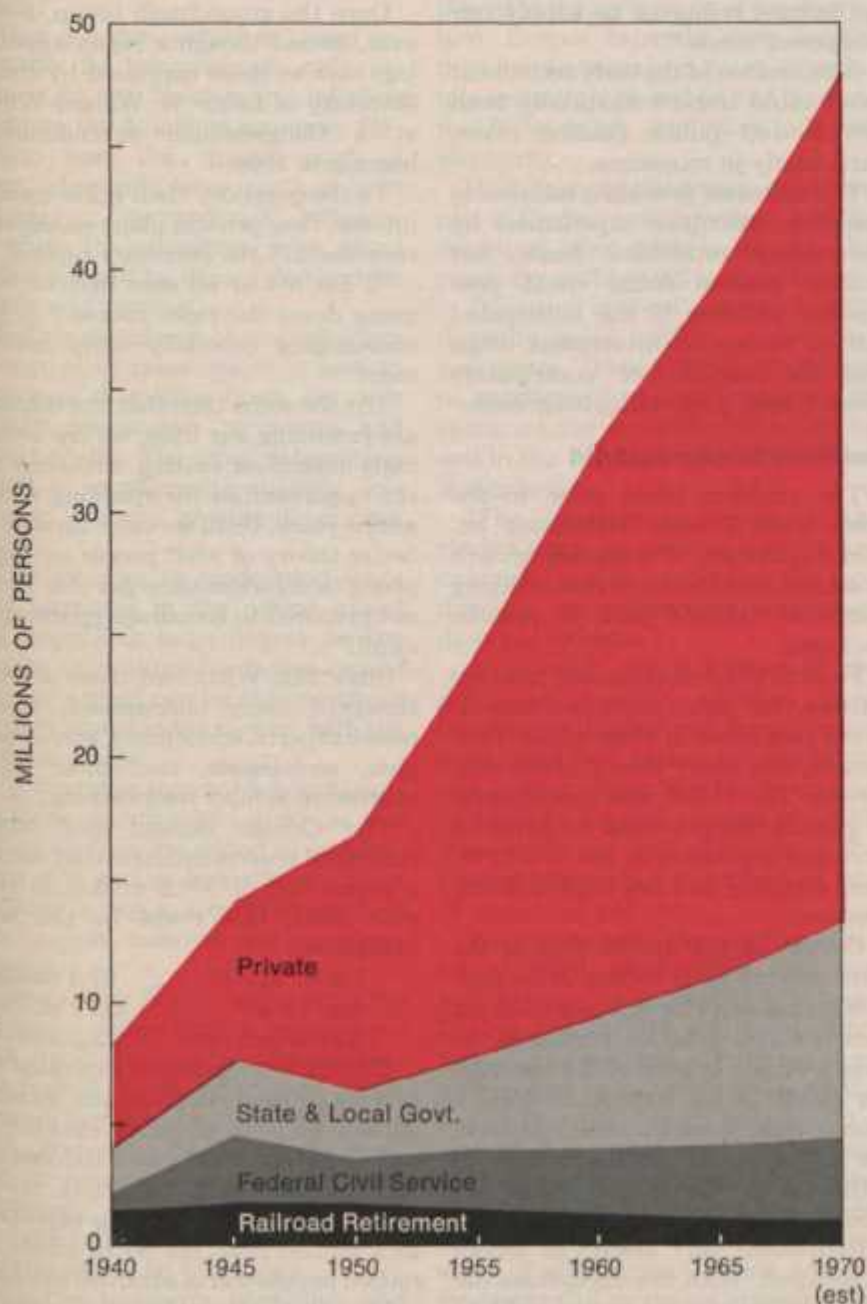
Pressure will be on the USW to do as

well as the auto workers, although steel workers already have special retirement options that permit them to retire after 30 years with no age restrictions.

For the coming bargaining ses-

sions, the steel workers' wage and policy committee states, "Eligibility requirements must be further liberalized. Full pensions, regardless of age, following stipulated years of service, should be universal."

AMERICANS COVERED BY PENSION PLANS



SOURCE: INSTITUTE OF LIFE INSURANCE

On the whole, the AFL-CIO's approach has been "flexible," says Richard Shoemaker, assistant director of its social security department. He recognizes the trend towards earlier retirements, but emphasizes there is also equally strong interest in preserving the right to continue to work. Many union officials fear that optional early retirement might in time become compulsory.

In 1967, AFL-CIO President George Meany, then 72, wrote what is said by Mr. Shoemaker to be the current AFL-CIO position on the subject:

"We still feel that enforced retirement can be a human tragedy, and we hope to convince employers that they should not insist on retaining a veto power over the employee who wants to continue working after age 65. Experts on problems of aging . . . confirm our belief that compulsory retirement is disastrous for many people. We hope to negotiate optional retirement provisions which are consistent with the claims of a free society."

The "early out" plans that unions have won have been noncompulsory. Nevertheless, the growing availability of early retirement, in the opinion of many manpower experts and economists, provides the ingredients of the retirement time bomb.

Younger labor force

In a study prepared for the private National Council on Aging, the consultant firm of Leo Kramer, Inc. of Washington, D. C., predicts that labor force participation of older workers 45 and over will decline significantly in the future.

Dr. Clague, who headed the Kramer group preparing the study, says his analysis of BLS statistics shows that the 45-plus labor force will grow by 6.8 million men and women by 1980—but that 5.4 million of them will not actually participate due to voluntary and involuntary retirements, or inability to find work.

"The output of an economy is highest when all of the people who are able to work are working," Dr. Clague, a vigorous 74, says. "The real tragedy is that many of these people will still want to work and many will need to work."

He sees the nation's economy clearly losing when workers retire in their

The Early Retirement Time Bomb *continued*

late 40s, or even at 55. His studies and experience lead him to conclude that those retiring at 55 usually will have enough retirement income and won't work, thus resulting in a permanent loss of badly needed skilled manpower.

The man retiring in his late 40s?

"He is almost sure to take another job. He will then have a 50 per cent increase in income and likely will be building a second retirement on the new job."

E. S. Willis, manager of employee benefits for General Electric Co., comes to the same conclusion. He says, "We have certainly been pushing toward serious economic problems if an ever smaller base of producers must support more and more non-producers. . . .

"Or, more likely, must support more cost to the economy as the effective pay of many producers is virtually doubled by paying pensions to people who really don't leave the labor force."

In theory this can't happen to the auto worker. Not only are his Social Security benefits, if he draws them, reduced like anyone else's if he earns more than \$1,680 a year, but he is restricted from taking a job in the auto industry.

But in practice this is difficult to control since the retiree has to report his additional earnings only to government agencies, such as Internal Revenue Service. Neither companies paying the pension nor the union, apparently, have established systems to police his job-taking.

Foreign competition

Mr. Willis warned the Society of Actuaries in November of the dangers of "30 and out" and its effect on pensions and added that it "is quite crucial in the basic logistics and economics of business operations."

He and other experts are predicting intolerable economic burdens on business, questionable long-run benefits to the very early retiree and an unhappy long-term impact on the nation's economy because of reduced utilization of skilled manpower.

GM's Earl Bramblett warns of the effect of taking skilled, experienced employees out of the work force and putting them "on the shelf," especially "at a time when foreign competition

is making serious inroads in a growing number of product fields which were once largely dominated by American industry."

Secretary of the Treasury-designate John B. Connally Jr. says that by the year 2000 the booming economies of Japan and Western Europe may produce per capita incomes approaching within a few hundred dollars that of the U. S. Dr. Denis F. Johnston of the Labor Department's Division of Labor Force Studies agrees and wonders, "Are we going to have available the human resources to supply our manpower needs?"

Acceleration of the early retirement trend could imperil financially both private and public pension plans, particularly in recessions.

Tax increases provide a solution to financial difficulties experienced by government retirement funds, but private pension funds could pose another problem if the anticipated rate of return on investment drops and the number of contributors doesn't keep pace with rising costs.

Retirees in the middle

The problem could grow to the crisis level if early retirement becomes universal, if economic growth slows and, even worse, if cost-of-living escalators become part of pension packages.

Federal Civil Service and military retirees, for example, have cost-of-living escalators in their plans. Pension experts worry that this too may spread. The UAW was unsuccessful in gaining this provision for pensions in recent negotiations, but it will almost certainly be a key item at future sessions.

Caught in the middle then is the often unwary early retiree. If his pension plan doesn't have a cost-of-living escalator and inflation continues, he faces a steady erosion of the purchasing power of his income. A \$500 a month retirement in 1971 will have the buying power of \$338 in 10 years if there is an average annual inflation rate of 4 per cent.

Retirement isn't always as secure as pictured. With few exceptions the full ramifications are not brought to the prospective retiree's attention. And if they are, they aren't always heeded.

A 1970 survey by the Department of Health, Education and Welfare of those newly entitled to Social Security benefits indicates that two out of five men who retired at 62 are still working—66 per cent for wages and salaries, the remainder self-employed.

Second thoughts

Since the start of the '60s a great deal of emphasis has been directed by government towards the problems of retirement and the aged.

Once the groundswell began, however, second thoughts began appearing, such as those expressed by then-Secretary of Labor W. Willard Wirtz at a Congressional subcommittee hearing in 1966.

To the question, "Is it in the public interest that pension plans encourage retirement?" the Secretary replied:

"I am not at all sure that we are going down the right course . . . by encouraging especially early retirement."

"At the same time that the doctors are extending our lives, we are seemingly intent on cutting out some of the opportunities for spending those added years. Until we come up with a better theory of what people are supposed to do when they get old, I am not prepared to encourage retirement at all."

Since Mr. Wirtz had those second thoughts, many businessmen, manpower experts, economists, gerontologists, sociologists, etc., have been expressing similar reservations.

The Census Bureau and other statistical sources estimate that out of a population of 300.8 million in the year 2000, this could be the age breakdown:

Under age 18	97.3 million
Age 18-47	121 million
Age 48 and over	82.5 million

If there is a significant extension of private pension coverage and a third of those between 48 and 64 elect early retirement, it could mean the loss of 18.2 million from the active labor force. They would join the expected 28.2 million past age 65 to create a retired population of about 46 million.

Hypothetically we could become a nation of some 121 million workers, 97 million youths and 83 million retirees.

END

THIS MONTH'S GUEST ECONOMIST

A. Gilbert Heebner
Senior Vice President
The Philadelphia National Bank



HOLDING BACK THE COST PUSH

How can we expect to curb inflation unless wage increases can be held down?

That question, which is raised repeatedly by businessmen, calls attention to the "cost-push" inflation afflicting the American economy. Resulting from the upward push of costs, especially labor costs, it is in contrast to "demand-pull" inflation, in which the price level is in effect pulled upward by excess demand for goods and services.

Before despairing of any reduction in cost-push pressures, it is well to recognize that labor costs are only in part determined by wages and extra benefits. The other determining factor is productivity, usually expressed in terms of output per man hour.

Our success in moderating labor cost increases in the period ahead will depend in large degree on the growth of productivity. Some idea of what to expect can be obtained from the fact that it tends to vary with the business cycle.

At the latter stage of a boom, productivity growth slows down as less skilled workers are added to employment rolls and as less efficient plant capacity is put to use. With labor in short supply, turnover and absenteeism rise.

When the boom ends and the economy slides into a recession—mini, midi or maxi—productivity suffers further. Employment and hours of work are not cut commensurately with production. Managers are hesitant to reduce work forces, having previously encountered tight labor markets and believing that the falloff in sales might be temporary.

As the recession continues and profits shrink, however, employee ranks are pared and organizational fat is trimmed. Productivity begins to

improve. With economic recovery, the scenario is the reverse of the one played in the early stage of the downturn. Output expands more rapidly than employment and hours of work. Idle capacity is absorbed and productive facilities are used more fully and efficiently.

Thus productivity grows, offsetting part of the increase in wages, and the ascent of labor costs is slowed. The pinch on profit margins diminishes.

The usual cyclical patterns in productivity were evident in the past two years. During 1969 there was no productivity growth in the private sector of the economy as a whole, and in the first quarter of 1970 there was a decline.

(The government sector is excluded since, in national income accounting, it is assumed that the productivity of government employees does not increase.)

As a result, the full effect of the rapid rise in wages showed up in labor costs. Higher pay for an hour's work was not offset by additional real output. From the fourth quarter of 1968 to the first quarter of 1970, labor costs per unit of output in the private sector rose at an annual rate of about 7½ per cent.

Beginning with the second quarter of 1970, productivity improved and the rise in labor costs slowed. During the second and third quarters, output per man hour grew at an annual rate of 4.1 per cent, and the rise in unit labor costs was cut to a rate of 2.3 per cent. (The General Motors strike contributed to a slowing in productivity growth in the fourth quarter.) The turnaround was the reward of cost control efforts and the resumption of moderate growth in the economy.

The near-term prospects are good for continuance of these trends, even

if wages continue to rise rapidly, as it appears they will.

It would be a mistake, of course, to celebrate a victory over cost-push inflation on the basis of a moderating of labor costs over a short period.

After the early phase of recovery from the 1969-70 business slump, it may be expected that productivity gains will be smaller. At that time, perhaps in the latter part of this year or in 1972, labor costs will begin to rise more rapidly unless the wage uptrend has been slowed.

Over the longer run, productivity tends to move along a basic upward trend. Projections of economic forces suggest that during the 1970s the trend will be close to the approximately 3 per cent annual growth rate (in the private sector) recorded in the past decade. But the only thing certain is that the future will not turn out strictly as forecast.

One of the forces that economists cannot adequately factor into their statistical projections is the current social unrest and demand for change. This could retard the growth of productivity, at least for a time.

As corporations become increasingly conscious of their social responsibilities and add disadvantaged minority members to payrolls, efficiency will suffer. Lower skills and increased training needs represent costs—socially desirable costs—of increasing opportunities for all citizens.

Ultimately, restraint in wage increases will be necessary if cost-push pressures are to be moderated.

The size of recent wage settlements is discouraging. Current collective bargaining contracts, however, cover only a relatively small segment of the work force, and may not be indicative of the trend in the average.

It may be that the slack that has developed in the economy since 1969 will, eventually, cut back the size of wage increases. Much will depend on monetary and fiscal policies.

If these are kept moderate as the economy recovers, the cause of wage and price stability will be aided. If, on the other hand, the policy makers resort to rapid monetary expansion and stepped-up government spending in order to achieve a quick return to full employment, the wage spiral not only will continue but could accelerate.

In that event, there might well be no relief from cost-push inflation for years to come.

Where Will We Be 20 Years From Now?



BY MAURICE H. STANS
Secretary of Commerce

If there is one thing all Americans can agree on, it is this: We are in a period of change and turmoil such as our nation has rarely experienced.

Nearly all the problems that mankind has ever faced seem to have converged on us in our time and in this place—and with the force of a hurricane!

The sources of this turbulence are many: burgeoning technology, the breakup of old social patterns, the growth and redistribution of population, the environmental hazards of an advanced industrial society, and the shifting strengths in the international economy.

We know, of course, that these trials and tribulations will not and cannot last forever. After war comes peace; after turmoil comes calm. But what concerns us as much as the problems of the moment is what things will be like when the dust does finally settle.

Are we in an upheaval that marks the beginning of the end of our national greatness? Are we going to become a second-rate nation economically, surpassed by the technology of others, short of resources, lacking comfortable living and unable to match the swift strides of other nations both East and West?

Or will the reverse of all this be true? Are we merely experiencing the birth pangs of a new and better America? When the tumult and the shouting die, will we be a happier, healthier, more prosperous, more beautiful, more just nation? Will we be a country where there is more opportunity than ever before—and truly equal opportunity for all? Will we be strong economically, able to hold our own in the one-world market that lies ahead?

We know that it is within our power today to choose between these two opposite alternatives. We have the material wealth and the moral purpose to shape the future into whatever we want it to be for ourselves and our children.

But we cannot build a new and better America by concerning ourselves solely with the day-to-day problems that beset us, as pressing as these are.

We must have the foresight to identify the long-range issues, and the wisdom to plan wisely for their resolution. Otherwise we shall be compelled to meet every social and economic crisis on an ad hoc basis, employing crash programs and hit-and-run approaches

that waste precious resources and are only half effective.

Looking down the long road ahead, say 20 years to 1991, what are some of the questions to which business and government must jointly find the answers, if we are to build a better nation?

To put it another way, what will the issue of NATION'S BUSINESS for February, 1991, have to say about how well we anticipated the long-range problems that were coming over the horizon back in our day?

How about taxation? Today, almost 40 per cent of our national income goes to pay taxes. How can we meet the enormous demand for public works and the conduct of the public's business without this rising to a confiscatory 50 per cent or higher? Is there some way to achieve a satisfactory balance?

And labor-management relations. Shall this continue as a head-knocking process without any thought to the national interest? Will it spiral endlessly toward some infinite point of no return? Or in this computerized age is there a way to work out some equitable method to share the fruits of production?

Can we insure some way to maintain uninterrupted access to the world's raw materials that are absolutely essential to keep this tremendous economy going? Our own well is not bottomless and other wells sometimes have fences around them.

And what of the world we live in? What better source for the answers to air and water pollution and the misuse of resources and land than the corporate science and technology and genius that produced the problems in the first place?

What about urban growth? Are we going to build an anthill society for the children of the future? Or are we going to plan and develop viable, healthy cities of manageable size? Shouldn't government and industry develop long-range plans to disperse plants and facilities in order to avoid the diseconomies of megalopolis? One of the most important areas requiring long-range planning is development of the resources of the oceans.

How do we develop the technology to explore and extract their valuable mineral deposits and harvest their food resources, and at the same time guard against pollution of the marine environment? How do we best develop the recreation potential of the oceans and the coastal zone? How do we resolve competing national interests, when the high seas are the property of no nation, but are the "common green" of all nations?

How about small business, which is the acorn of big business and therefore an essential seed of economic growth? Giant corporations don't start as such. How can we protect and encourage the shopkeeper so his business can become a chain, or at least live on as a neighborhood fixture?

In a similar area, what can we do to assure full minority participation in the free enterprise system? Minority members must have the right not only to equal employment, but to an equal chance to become owners and managers of their own businesses.

President Nixon has launched the first program in history to help minority entrepreneurs succeed, and we are making progress, with considerable support from the private sector. But we must explore other possibilities and do much more—in government and business—in creating opportunities, providing funds and helping to train managers, in order to assure continuing opportunities for minorities in the future.

And what about consumers? Is business going to put its own house in order with self-regulation and control of quality, safety, service and advertising, or will this be left to government or some institution which isn't as interested in variety and competition and freedom of choice?

Turning to the international economy, how can we retain U. S. leadership as the world's greatest trading nation? How can our country, with the highest wages and the highest standard of living, continue to be competitive in an increasingly one-world market?

We have no corner on knowledge; knowledge respects no political boundaries. Not only do we freely

Where Will We Be 20 Years From Now? *continued*

export our most sophisticated machines; the scientists and engineers of other countries are generally as capable as our own. Some industrial countries are far more aggressive than we are in promoting international trade. In the face of all this, how are we going to restore and maintain the healthy merchandise trade surplus that has been the mainstay of our balance of payments and the foundation of the dollar as the world's principal reserve currency?

These are just some of the critical, long-range issues that we face. There are many more: the needs of less developed countries, the future of multinational corporations, the growing restrictionist policies of other nations, and others.

I have complete confidence that wise solutions can be found for all these problems—but only through the joint efforts of business and government. This means that business leaders must lift their eyes from the profit and loss statement for a long look down the road ahead. They must broaden their horizons to encompass the problems of the whole society, rather than simply the concerns of their own enterprises.

Actually, much more is at stake here than simply finding the managerial and technical solutions to these problems. In a very real sense, business itself is on trial.

Already, its critics accuse it of having only one goal—to maximize profits. It has little or no interest, they say, in shouldering responsibilities for the betterment of society in general.

Many young people, for example, express aversion to or disinterest in the system.

So if business failed to help find solutions to these long-range problems, the very possible alternative could be control, regulation, regimentation, an alteration of our system.

We have to believe that this is not the answer. We have to believe that business not only has the skill and resources to help solve our long-range problems, but—equally important—that it will make a greater commitment to do so. We must believe not only that the private sector has both the capacity to provide us with the greatest outpouring of goods and services in history but that it also has a deep concern for the quality of life in America.

We know that our nation faces unprecedented challenges in the coming decades. By the end of this century our population will near the 300 million mark. By 1985, just 14 years from now, as many new people will be added to our population as now live in all 24 states west of the Mississippi River.

This population explosion will affect all sectors of our national life. It will have tremendous implications for national policymakers and private decision makers. It will have a great impact on our political structure, and it could make many of today's plans for public

and private developments obsolete even before they leave the drawing boards.

Added to this is the very relevant fact that America is becoming a younger nation—there will be a dramatic rise in the number of younger adults between now and 1985.

A more youthful adult population means greater outlays for job training, homes and appliances. It will affect the whole scope of market patterns for consumer goods. Most of the younger generation have never known anything but prosperity—job opportunities, high incomes, unprecedented affluence and expanding economic growth.

In the years just ahead the fastest growing sector of our economy will be the services. We are the only country in the world which employs a majority of its workers in the production of services rather than goods.

Just five years from now, more than one out of every six workers will be engaged in government service. One out of every five will be earning a living by buying and selling.

Geographically, one out of every six jobs will be located in just three states: California, Texas and Florida; and the greatest rates of job growth will be along the West Coast, across the Southwest and over to Florida.

We will see vast increases in the numbers of post-graduate, college and high school students, with great needs for expanded facilities and increasing demands upon public budgets. Education, which now accounts for about 6 per cent of the GNP, is expected to generate as much as 20 per cent by the year 2000.

The average U. S. workweek will drop to 31 hours by the year 2000, it is said, and the leisure market will reach an estimated \$250 billion by 1975.

By 1980 our demands for fresh water will be double our present consumption. We will become increasingly concerned with rising problems of air and water pollution, traffic congestion and the need for more open spaces.

All of this agglomeration of questions and figures leads to one inescapable conclusion. We must be impressed with the scope and magnitude of the changes that lie ahead. And we must be concerned with the problems which are closing in on us, perhaps faster than we may realize.

Both those in public life and those in private life now have a critical responsibility to base their decisions on the needs of the future as well as the potential of the present.

I am confident that businessmen can and will meet this challenge of the future. And I am confident that this same issue of *NATION'S BUSINESS* for 1991 will be able to report that they did meet it—unequivocally, without reservation, and to the everlasting credit of the American business community. **END**

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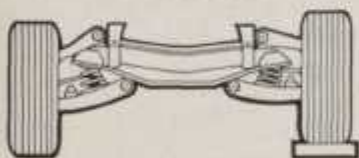
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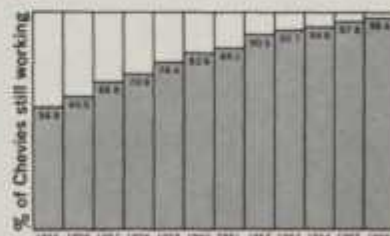
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Fred J. Borch of General Electric

"The time to go into things is when everybody else is getting out"

Fred J. Borch had to mark time for three or four months after he got out of college in 1931 before the job he'd been promised with the General Electric Co. actually materialized.

He hasn't done much marking time since then, as he's climbed from that job—as a \$115-a-month traveling auditor—to the position of board chairman and chief executive officer of an industrial giant that is still looking for new business worlds to conquer.

How does he personally manage such a multifaceted company of 10 groups, 200 departments, 400,000 employees and annual sales approaching \$9 billion?

"You don't, personally," he says. "The problem is organizing it into segments that people can get their arms around. Get the very best people you've got, give them clear-cut assignments and let them run."

An admittedly "impatient" man, one who believes any chief executive must have this trait, Mr. Borch takes a highly visible stance as a business executive and says all his company's ranking officers should do so.

"We are involved in virtually

everything that goes on in industry," he says, "and if we don't speak up and say our piece, who will?"

Mr. Borch, 60, a native of Brooklyn who was raised in the Midwest, has just stepped down as the chairman of the prestigious Business Council, continuing as a member, and is active in other groups.

In his office high in the GE Building on Lexington Ave. in New York City, smoking almost chain fashion, he talked to NATION'S BUSINESS about some of his accomplishments and expectations at GE, including recently announced plans to enter the entertainment field with a subsidiary to finance and produce TV programs, motion pictures, stage plays and closed-circuit telecasts.

Is progress still General Electric's most important product?

We think so.

Well, now that you've launched Tomorrow Productions, Inc., will you consider another slogan, "Let Us Entertain You?"

Oh, brother! That would be something!

With the economic picture what it's been, some people were surprised that GE would step into the entertainment business at this particular time.

It is not only entertainment, you know. We're talking about all kinds of programs, closed-circuit TV and—down the road—community antenna TV. Some of our people have been studying this a long, long time and we see an opportunity, very frankly, to marry some hardware concepts we have with program capabilities.

It looks as if there is a package that can be brought together by 1980. That is what we're looking for: the Eighties.

Still, when some people are bailing out of the entertainment business, this could be considered a gutsy move. Do you think an executive has to be a gutsy guy at times?

The time to go into things is when everybody else is getting out, and the time not to go in is when everybody else is getting in.

The timing isn't very important to us in this. It is a long-range proj-

Fred J. Borch of General Electric *continued*

ect. We concluded we had this opportunity down the road, so we did it.

We vetoed a suggestion that we buy a motion picture studio, or something like that, seven or eight years ago. That was purely entertainment. This is more than that.

Is this a part of your executive philosophy: To look down the road?

That depends on the history you have lived. This company has never been satisfied. It's always been a kind of historical reacher. The people in it aren't satisfied with status quo, either with respect to staying on the same sales volume level or in the same technology or in the same kind of business.

Remember, we started way back with Edison's lamp.

You're a long way from just making light bulbs now. Just how many different products do you make?

I don't know. I've never counted them. [The records show GE makes over 200,000 products.]

GE has been called the most diversified large company in the world, since it's in 19 of the 21 basic manufacturing industries.

That's pretty much an exaggeration. I think we really are in only 14 or 15 of them. That's plenty.

Is the company goal still to electrify the world?

Yes, that will always be our basis. You can't get away from the fundamental. Everything that evolves in the way of electric energy is our main thrust.

Are you still optimistic about nuclear power?

Very much so, and never more than right now.

What about the environmental aspects?

This will develop, in my opinion, as the cleanest way of producing electricity.

You've spent your entire career with GE. Did it recruit you or did you storm the doors?

I started in 1931, in what Flip Phillippe [the late Gerald L. Phillippe,

GE board chairman from 1963 to 1968] used to call the mildest boom in history. The dean of our business school at Western Reserve, back in Cleveland, worked very closely with IBM and always selected a guy or two each year as "the one for IBM."

I happened to be the guy, but I was dead set on going to the Harvard School of Business. I raised all but \$500 of the expenses, and then I just couldn't get the last \$500. So I decided to go to work.

The alumni president of my fraternity worked for General Electric and I had worked closely with him as president of the fraternity. He told me to come see him before I made any decision on where to work after I got out of school, whether I went to Harvard or not.

I went to see him, there in Cleveland, and he sent me to see another man who said I had a job. But he didn't say when. I think I waited three or four months before I got on the payroll. I never did go see IBM.

What did you start as?

A traveling auditor for the lamp division. This was a time when the National Lamp Works in Cleveland and the Edison Lamp Works in New Jersey were being merged. Edison was a part of GE, but National never did consider itself a part of GE. Matter of fact, I think part of the agreement National had with GE was that it would more or less run itself.

My job was to go out and merge district sales offices of the two companies. I started out on the West Coast and I never got back to see my fiancée from, I think it was, October until June.

In those days, when you traveled, you traveled a long way before you got back. I was only making \$115 a month and I was on an expense account traveling, so it was very good.

Wasn't there another young traveling auditor there at the time, who also became chairman of GE?

No. You're talking about Flip. He was in Schenectady, in the business training course.

The Lamp Division was GE's big thing during the depression of the Thirties wasn't it?

I think in 1932 the Lamp Division paid the dividends.

When GE decentralized in the early Fifties, you were in charge of reorganizing the Lamp Division. What was the goal?

You have to remember one of the chief reasons our chairman then, Ralph Cordiner, had for decentralizing the company. When I was coming up in the Lamp Division, they used to call it the "Irish Free State." We operated virtually independently of the company, except for the vice president—who would go attend the big company staff meetings. We were decentralized from the beginning.

When Mr. Cordiner decentralized the company, he was trying to break it down into autonomous units as much as he could. The Lamp Division at that time had grown really big, doing well over \$100 million. That's a pretty good package for a fellow to get his arms around, and that was just one division.

That essentially is still your structure, a decentralized one?

Yes, it has to be.

GE's very numbers are awesome: 400,000 employees, 10 groups, 200 departments. How do you personally manage such a giant?

Personally, you don't.

The problem is organizing it into segments that people can get their arms around. Get the very best people you've got and give them clear-cut assignments and let them run. And then from here you sit and watch what goes on.

Many executives complain they don't have enough "think" time. Do you have this problem?

Yes, and that's a matter of structure again.

We have made a move to get at this problem by separating the ongoing, day-by-day executive staff assignments from those things that need to be done in the long range for the company.

We now have four senior officers whose mission is to do that long-range thinking and planning and come into our corporate executive office, which is myself and the three



Looking for all the world like a modern-day Casey Jones, Mr. Borch tries the engineer's seat on a big railroad engine produced by one of GE's many divisions.

vice chairmen, with programs pretty well thought out.

I've divorced myself pretty much from the day-to-day operating work and I'm spending as much time as I can with this corporate staff. This is new, this is different and we're betting a lot on it.

People sometimes get all enamored with boxes and lines. One of the most critical things a chief executive has to do is get his structure right. If it isn't set up right, I don't think the thing will work.

Is this easy?

It's difficult, because people become familiar with a particular organizational structure. They tend to resent basic changes. Then they settle down and what was radical five years ago becomes their way of life.

What's the long-range goal Fred Borch has for General Electric?

I think I'd better wait a bit until these senior planners get through with some of their thinking before I answer that. Obviously, we are going to have some new objectives.

When I came in as chief executive officer in '63, there were several things of a long-range nature we had to face up to.

One that was very important stemmed from the antitrust suits filed against us in 1960 and 1961.

They only affected 10 per cent of the company's business, but they had a 100 per cent impact on our people. We had a real problem in terms of getting our internal morale back in shape and regaining the kind of public image GE had before the suits.

From the business standpoint, we had been on a sales plateau of \$4 billion to \$5 billion. And I wanted to get moving on the company's growth rates.

Those sales figures are terribly impressive. Wouldn't the safe course have been to take it easy?

Not for General Electric, and for a reason a lot of people overlook. There's a big difference in ability to retain the very best people between a company that's status quo and a company that is growing.

GE has a reputation of rewarding its people very well.

We try awfully hard. But I don't think you can just reward people financially. You have to challenge them. And when you grow, you double the number of opportunities for people. You can move them faster, challenge them more.

How do you spot a man you think will grow?

Two or three years ago we established a top staff assignment with the

responsibility of setting up a manpower development system to identify young, good people early—and see to it they got challenging assignments. And up here we want to know their progress.

I'm pleased with the results.

A young fellow has to be made a department manager with responsibility for \$50 million or so in business pretty early in life, in his late 30s or early 40s, if he's going to have the experience to move on up. So you have to identify him early.

GE has been criticized for moving executives around too much.

I think a chief executive officer has a responsibility to see that there always are broad-experienced people coming along. We're going to continue doing it this way.

Are you concerned about the quality or quantity of young executives today?

I'm concerned at this point because so many of them are better than I was at their age. The problem of selection is going to be very difficult.

Another criticism is that GE, by the very nature of its size, tends to dampen boldness of its young entrepreneur types.

That's a valid criticism, and I think it can be leveled at any large major

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Fred J. Borch of General Electric *continued*

organization of any kind. On the other hand, I think we've faced up to this in some rather unorthodox ways. We have a little outfit that is charged with the responsibility of making investments in little companies that need capital. These are very entrepreneurial-oriented, and very small.

We are not totally successful by any stretch of the imagination. We lose some young people who are very good, but who feel smothered by the—quote—bureaucracy—unquote. The comforting thing is that a lot of them go out and find it isn't quite so easy, and they come back.

We've turned down suggestions that we get into the cosmetics business, professional football, all sorts of things. But some of us sitting up here have a different vision of where the company should go. Maybe it's not completely right. Maybe my successor will change it.

GE is one of the giants in the consumer field. What are your views on the consumer movement?

I think, very frankly, that business has asked for a great deal of the criticism it is getting, simply because we've failed to get our message across. Many millions of appliances are being used by our population, and sometimes I think people don't realize just how many of them do work.

But we in business have to accept responsibility and accountability. I think we try to do our very best for people, but we probably have been pretty bad at times in communicating with them.

The economy is just beginning to get over the General Motors strike. You had a very long strike not too long ago.

I still have the scars.

There has been talk that there ought to be a better way of settling labor disputes. What are your views?

The last thing I would like to see is any major government intervention in labor disputes of the kind that General Motors or we have.

Railroading—transportation—is a bit different, because the government is already injected in the economics of the situation. I have a different opinion with respect to regulated

industries as opposed to those which presumably are not regulated. I don't say we are not regulated, but not completely.

So, compulsory arbitration might be the thing in something like the railroad dispute.

But with General Electric and General Motors, that would be the worst thing in the world. I think the union people would agree.

How do you feel on the international trade issue?

Our philosophy is very clear. We believe in fair, free trade. I accent the "fair." I don't like to be up against dumping by foreign competition. I don't like being excluded from foreign markets by a variety of devices.

Assuming these things can be straightened out, I think we ought to have the freest of international trade. It can be the healthiest thing in the world. But we'll fight like the devil against the inequities.

What do you think is the biggest economic problem facing industry today?

I don't think there is any question that inflation is the greatest economic problem we have, world-wide.

If you want to go beyond the economic situation, you have the world political situation. With the rising trend of protectionism closing in, this is of very great concern. Then, of course, you have the various aspects of our changing national defense posture.

What about the environment problem?

I think history has demonstrated that when men generally become concerned and when these things get out of control, steps are taken to correct the environment.

You've been characterized as a 'no-nonsense' executive. Does this mean you're impatient?

Yes, I am very impatient. Anybody who comes in here in a top slot is going to be impatient. There are so many things that the company can be doing better than it is now doing and you want to get on with the show.

Are you a clean desk executive?

No, I am very, very unproud of my ability to keep my desk clean. I always have a number of fascinating things I'm working on, and I don't have time to do all of them, and they pile up.

Are you a note jotter?

I make notes to myself all of the time.

What's the first thing you do when you get to work? Clean out your pockets?

That's the first thing I do, fish out my notes. Then I start the ball rolling and get on the telephone. I dictate very few letters.

You're said to be a fisherman who has been trying for years to catch a certain species.

A snook. Everybody in my family has caught one but me. It's the best tasting fish there is. I'll get one yet.

Do you get away for regular vacations, or just take long weekends?

Both. I like long weekends. I like to get down to Florida. But I can't stand about more than 10 days away from the office at one time.

How important is a sense of humor to a chief executive?

Without a sense of humor, you are dead.

What advice would you give an executive?

If you don't have a job you enjoy, get out of it.

People ask me, "How can you take all the pressure on a job like this?" And I think I can answer for all chief executives; we love it. Any man in the top spot will say things like: "It's tough, tough and hard." But boy, take that pressure away from them and they burst. **END**

REPRINTS of "Lessons of Leadership: Part LXIX—Fred J. Borch of General Electric" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

Free Trade Truths —and Myths



HOWARD S. PIQUET, author of a manuscript from which this article is condensed, is an economist, professor and writer who has served business and government in high capacities, most of which were related to world trade, tariffs and monetary matters. For many years he was senior specialist in international economics at the Library of Congress.

Not since the Smoot-Hawley Tariff Act of 1930 have emotions about liberalism in foreign trade policy been as high as now.

For most of the past three and a half decades, the issue has been between Congress and the President, with the latter holding firm for trade liberalization. And, with only occasional Congressional setbacks, the country pursued a policy of reducing trade barriers from 1934 to 1967.

But now we are at a crucial point. After bitter battles in both the House and Senate, Congress failed to act on the foreign trade bill of 1970. So friends and foes of freer trade are arming for a new test in the new Congress.

President Nixon stands firm as far as generalities are concerned, saying

that "the interests of the United States and the interests of the whole free world will be best served by moving toward freer trade rather than protectionism. I take a dim view of the tendency to move toward quotas."

He weakened, with respect to specifics in last year's bill. Congressional inaction, however, saved him from a final decision.

Businessmen must understand the nature of free trade, the truths and myths about it.

Equally important, they must realize that there will be foreign retaliation against U. S.-produced goods if more rigid import curbs are imposed.

This has been made clear by spokesmen of the European Economic

Free Trade Truths—and Myths *continued*

Community, of Britain and of other countries.

They have called attention to the fact that imposition of mandatory quotas would violate Article 19 of the GATT (General Agreement on Tariffs and Trade), which requires that proof of injury to a domestic industry be established before import quotas may be imposed.

Their stand is firm, despite the contention of proponents of trade restrictions that European and Far Eastern textile producers' failure to go along with voluntary export controls touched off the latest hassle.

Tipping the trade balance

Although U. S. exports have increased substantially, they have not risen as rapidly in recent years as imports, with the result that the excess of exports over imports declined from an annual average of \$4.2 billion between 1958 and 1963 to \$0.6 billion in 1968 and 1969.

According to protectionists, this proves that the United States has not been able to hold its own in world markets and is in a weak competitive position, both abroad with respect to exports and at home with respect to import competition. Imports should be curtailed, they say, to help eliminate the country's resulting persistent balance of payments deficits.

The AFL-CIO says the principal culprits are foreign countries with managed national economies, which have erected governmental barriers against imports while subsidizing exports. The labor leaders also are concerned over multinational corporations which are "owned by Americans, use American capital, American management and American technological know-how, and employ low-wage, low-paid foreign labor."

They say that products made by these corporations undercut U. S. exports and compete unfairly in the American market itself.

Then comes the main thrust of the protectionist argument, the threadbare assertion that because American wages are higher than wages abroad, the United States is losing ground competitively, particularly with respect to manufacturing.

The AFL-CIO, when it criticizes other countries for restricting im-

ports and subsidizing exports, does not seem aware that the United States is a major offender. It, too, applies import quotas (against sugar, certain textiles, dairy products, petroleum, meat, etc.) while subsidizing agricultural exports. The fact that the U. S. market is the largest market in the world makes its guilt all the more serious.

Many protectionists think that, once they have demonstrated that the so-called "favorable trade balance" has narrowed to close to zero, they have proved that the U. S. economy has suddenly become weak and that there is an *ipso facto* case for restricting imports. They are mistaken.

To understand America's international economic position, it is necessary to take into account not only exports and imports, but also the facts regarding the country's foreign investment position.

It is evident that the excess of exports over imports in 1968 and 1969 narrowed, owing largely to inflation, until it came close to being in balance. This "deterioration" of the United States' international trade position is not the sole indicator of its international economic position. The strength of the U. S. economy depends upon its over-all position relative to the economies of other countries. The American economy is far from weak; it is very strong.

Although exports and imports are the largest items in the international accounts, the excess of receipts from exports over payments for imports since 1965 has been exceeded by net earnings on U. S. investments abroad. In 1968, when the trade balance sank to less than \$1 billion, receipts from private American investments abroad totaled \$6 billion!

Direct private American investments abroad increased from \$11.8 billion in 1950 to \$70 billion in 1969 while direct foreign investments in the United States increased from \$3.4 billion to \$11 billion. Thus, the net direct investment creditor position of the United States increased from \$8.4 billion to \$59 billion.

A country can have an excess of imports over exports for a considerable period, provided other receipts offset the excess. With growing net returns on foreign investments, it

may not be long before it will be considered "normal" for U. S. imports to exceed U. S. exports.

Some of the steam of the protectionists' alarm at the dwindling foreign trade surplus is being dissipated by trade statistics which show that during the first nine months of 1970 exports increased so much more rapidly than imports that the favorable balance was at an annual rate of \$2.6 billion.

High wages, low cost

The old fallacy that goods produced in a high-wage country cannot compete with goods made in a low-wage country seems to have a permanent lease on life. If the products of low-wage labor can always undersell goods made with high-wage labor, how is it that the United States, with its high wages, regularly exports billions of dollars worth of goods every year (over and above those receiving governmental aid) many of them to countries where wages are notoriously low?

Clearly the high wages are offset by greater productivity, resulting in low cost per unit of product.

Wages tend to be highest in export industries because they are the most efficient industries, relative to a country's material and human resources. The products that are most vulnerable to import competition tend to be those of industries in which wages are low and unit labor costs are high.

Wages and unit labor costs are not synonymous. In any country, real wages, like profits, are high when productivity is high and low when productivity is low.

The United States is a rich country because of its high average productivity which, in turn, is explained not merely by its abundant physical resources, but also by the temperament and adaptiveness of its people and by its economic institutions. Because it is so productive and so large the United States, as a whole, has little to fear from foreign competition.

Yet, spokesmen for producers who fear import competition imply that the United States is about to be undercut by foreigners in all lines of production.

Most people extol competition as

Armco Buildings meet a challenge

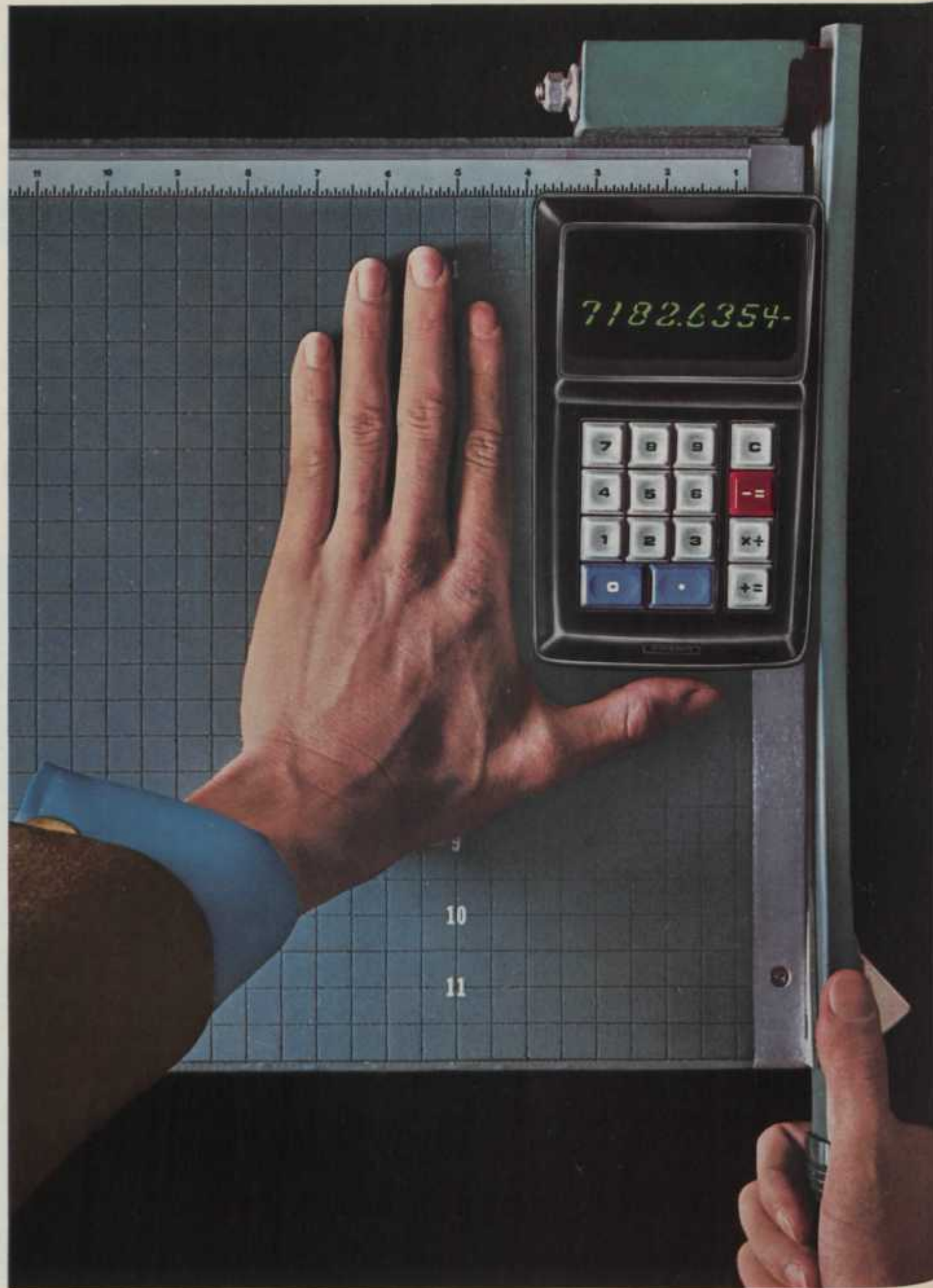
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Free Trade Truths—and Myths *continued*

the life of trade and as a major reason for the miraculous growth of the American economy—as long as it does not affect them directly. When they happen to be the ones who are hit by it they try to make it appear that they are in a “special” position and need to be shielded against imports.

Trade is a two-way street and no country can sell without buying. Furthermore, there will be international trade as long as there are international price differences, whether exchange rates are flexible or fixed.

The argument that imports from, and the operations of, multinational corporations are injurious to American workers is fallacious because it sets “labor” apart from “people.” People work to enjoy the fruits of their labor. And workers and consumers are practically synonymous.

Basically, there are only two factors of production—people and resources. The purpose of the economic system is to maximize the production of goods for consumption and to facilitate their equitable distribution. If it were only “jobs” in which we are interested, the answer to unemployment would be simple. All we would have to do would be to outlaw the use of bulldozers, power cranes and other labor-saving machinery.

Opposite courses

There are two opposite ways of dealing with problems of import competition. One is to restrict imports; the other is to facilitate their absorption by assisting workers and firms who are displaced by imports. The first interferes with desirable economic change, while the latter encourages it and results in expanded production which is in the interest of all.

Import quotas are politically and economically disruptive. If it is decided to use them to curtail imports of all textiles it is almost inevitable that they will be extended to other commodities, whether the quotas are mandatory or voluntary.

Quotas lead to political preferment domestically and to retaliation abroad. Retaliation breeds further retaliation and the result will be trade warfare with a progressive dwindling of world commerce.

On the economic side the most

important single fact to be kept in mind is that a quota is a *quantitative* limitation of imports, regardless of the price at which a product is sold. The quota interferes with the price mechanism by severing the connection between domestic and world prices.

Under a tariff, on the other hand, imports are permitted to enter the country to the extent that the rate is not so high as to prohibit imports. There continues to be a direct relationship between domestic and world prices, with the difference between the two approximating the height of the tariff.

Import quotas, like tariffs, result in higher prices to consumers. Unlike tariffs, however, they yield no federal revenue in the form of customs receipts.

Pulling down the barriers

If all trade barriers were removed suddenly, the resulting pressures and hardships would be substantial. As a practical matter, their abandonment would have to be gradual, extending over 10 to 30 years, and with the cooperation of other important trading nations.

The difficulties involved in transferring workers from one job to another should not be underestimated. But the problems of adjustment would have to be solved from the point of view of the American economy as a whole, rather than from the narrow perspective of particular groups of workers, firms or communities.

There are, of course, certain lines of production in which the United States cannot compete internationally. We must avoid building protective fences around these weak industries and aggressively try to open markets for lines of production in which we are strongest.

In a few cases, where adjustment is impossible, the federal government should assume the burden of paying “liquidation indemnities”—not to be confused with continuing operating subsidies, which tend to perpetuate resistance to adjustment. They would be true adjustment subsidies in that they would continue, in decreasing amounts, over a stated time period only. Sliding-scale (increasing) import

quotas might be used in special situations, but only temporarily, to ensure the effectiveness of such indemnities.

There is need for a clear statement of national commitment to the ultimate goal of eliminating trade barriers everywhere.

One approach would be to start with a “nucleus” of like-minded countries—say the United States and Canada, and the United Kingdom and possibly other members of the European Free Trade Association. These countries should agree upon a program looking toward gradual elimination of all trade barriers. Special provisions probably would be necessary with respect to certain items essential to national security.

The “Nucleus Plan” would differ from other free trade areas and common markets in that it would be open-ended. It would provide that any country (or group of countries, such as the European Economic Community) could join at any time by undertaking to remove its trade barriers in accordance with the agreed-upon schedule.

The longer the time allowed to achieve the goal of free trade the less necessary will it be to provide for the injection of government subsidies to facilitate adjustment.

Formation of a Nucleus Free Trade Area would give notice to everyone that between now and the year 2000 producers must learn to stand on their own feet without governmental supports.

The United States towers above all other countries economically. Only it can take the initiative in urging the free world to move toward free trade. Because of the tremendous size of its market it should apply the “carrot” rather than the “stick” by offering to open its market to other cooperating countries if they will open their markets also.

We are now headed in the opposite direction, threatening to use the stick of retaliation. The specter of the world's largest country, economically, risking trade warfare because of political pressures by a few of its weakest productive units is distressing. As long as the United States is petty it can hardly be expected that smaller nations will be magnanimous.

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If Britain Goes Into the Common Market . . .

"The Community" is expected to expand—and when it does, there will be decided advantages for American companies which operate in the United Kingdom

LONDON—Few prophets in the last decade have improved their reputations by predicting what is going to happen in Europe. They have been wrong as many times as right.

But here goes with a prediction, anyway: Britain, along with Norway, Denmark and Ireland, will be admitted to the European Economic Community. That is, unless there is reversal of present trends. Word of admission should come this summer and within three or four years the entry process should be finalized.

Then, EEC, often called the Common Market, "the Community" or "the Six" because of its present membership of West Germany, Holland, Belgium, Italy, Luxembourg and France, will have over 250 million people, putting it squarely in the economic class of the two superpowers, the United States and the Soviet Union.

The question arises: "What will this mean to American business?"

Simply put, the answer is: "A great deal."

With few exceptions, American companies without operations in Britain or the Community may find themselves disadvantaged as regards tariffs, customs and other trade barriers. American companies with operations in the expanded Community will automatically be best placed to

take full commercial advantage of the opportunities it will provide.

Look first at some of the pluses.

Unanimous opinion of American business officials here is that their companies can only gain by Britain's going into the Community.

These executives and various economists predict furthermore that trade among Market countries and the four prospective new members will be greatly stimulated when the Six become the Ten.

Fortunately for American companies, Community tariffs are not high on all goods and tend to run 10 per cent or less on newer, more advanced types of products. They will not be a critical factor with American specialties such as aircraft, space equipment, telecommunications and most electronics and vehicle parts.

Nationalistic buying

Though no buy-at-home act or movement exists in Britain or in the Market, foreign goods usually aren't bought by government and state enterprises if domestic goods are available.

Brussels officials of the Market are trying to break this down to get member countries to buy more freely from each other. When Britain is a member, this will work to the advantage of the American-owned companies in Britain for they will be companies within the Market. American giants like ITT have faced the problem of nationalistic buying for years. To avoid it, ITT has plants in Germany, France, Belgium, Italy and also in Britain, and operates them as full corporate citizens of those countries.

American companies working in advanced telecommunications, pollution control, aeronautics, electricity, data processing, computers and meteorology should be in good positions after Market expansion because the Community is already busy trying to promote collaborative research and production.

American companies in Britain are strong in these fields and they will share greatly and could even take the

lead in this collaboration. In past years, the British government has insisted that American firms that take over British ones should push research and development. This kept Britain well ahead of the rest of Europe in R&D. Now this advantage will help American companies as they become Community companies by virtue of British locations.

Foreign firms in Britain have not been permitted to borrow locally except for bank financing to carry stocks. In the Market, American firms can borrow as they are able. A common economic policy is to be developed in the Community which could expand American borrowing in Britain.

Now look at some minuses.

Britain annually imports from the United States \$125 million worth of grain and \$40 million of fruit and \$30 million of soybeans. This business could be injured by British entry into the Market because Britain would have to toe the line on the Community's strict agricultural policies. They tend to run counter to importation of American foodstuffs.

The tariff bill for American goods entering Britain from the United States after Community membership is likely to go up. The over-all tariff cost in money terms may not change much. But there is likely to be a loss of several hundred million dollars a year in exports to the 10 countries (especially to Britain) because firms in the member countries will have the edge on the American exporter.

The importance of Europe to America can be seen in these huge figures: American companies had over \$10 billion invested in the Six by 1969 and they since have added 12 per cent to that total. In Britain, the American stake is \$7 billion.

Many American firms have begun integrating their British and Community operations.

"Preparing for the Common Market? We're already in it!" was the sum-up by a spokesman for International Harvester's British subsidiary. Harvester has manufacturing subsidiaries in France and Germany

GEOFFREY S. BROWNE, author of this article, is chairman and managing director, The Economist Intelligence Unit, Ltd., which operates world-wide from its base in London.

as well as in Britain, and the German one is supplying an increasing number of tractor parts to the others as well as all the engines for a new range of tractors.

Du Pont has a plant at Londonderry, Northern Ireland, which produces Lycra and Orion for sale on the Continent, while plants in Germany and Holland produce polyesters (Dacron) and nylon fibers, even for Britain. Du Pont clearly established this setup with British Common Market membership in mind.

IBM's trade balance

Perhaps the most integrated of all is IBM. Specialization on a "product by plant" basis is IBM Europe's policy, and it means each plant in four European countries is responsible for at least one range of computers. In addition, parts and product development are exported across frontiers, with as much specialization as pos-

sible. The aim is to balance trade in each country. In Britain, where sensitivity over trade balance is particularly keen, IBM was able to report a trade surplus last year. IBM's approach comes near to treating the Market-plus-Britain as a single nation.

Of course it is possible to hedge

your bets. W. R. Grace supplies the British market for fertilizers from a huge plant in Trinidad, whose products enter Britain duty-free under Commonwealth preference. Grace



If Britain Goes Into the Common Market *continued*

also has a plant in the Common Market, which supplies the Continent but could be expanded to supply Britain too. However, in all likelihood, Trinidad will have duty-free access to an enlarged European market under the generalized preference plan of the General Agreement on Tariffs and Trade, and the United Nations Conference on Trade and Development.

A number of big international companies have put down vigorous roots both in the existing Six and the candidate countries, without carrying on much trade between them.

Monsanto, which has the largest U. S.-owned chemical operation in Europe, produces a number of products such as nylon and plastics both in its U. K. plants and on the Continent, and makes little attempt at specialization on any Europe-wide basis. Yet its structure is Europe-centered, in that it has a European command center at Brussels.

General Electric, with European headquarters in Geneva, does very little manufacturing in Britain. Its plants in the Six specialize in various advanced technology products for sale in Europe (nuclear fuel in Germany, electronics in Italy and X-ray gear in Belgium.) Its small British subsidiary, N. C. Joseph Ltd., is closely tied to export shipments and GE's two plants in the Republic of Ireland are to an even greater extent satellite plants to the U. S.

Burroughs also manufactures for the American market in its computer factory in Scotland. A few years ago, locating in Scotland was widely predicted to be a coming trend in high-labor-cost technology products. But it has not gone far, owing chiefly to the availability of cheaper labor in friendly economies in the West Indies and the Far East.

Perhaps the most international approach of all is that of Westinghouse, which has no directly owned manufacturing plant in Britain, and has only stakes in factories on the Continent, apart from a wholly owned one in Italy. Yet week by week Westinghouse announces more products on the European market.

Managements for different product groups are located in different European centers and sometimes these are

divided: It is not unusual for the general manager of a Westinghouse product group to be based in Bonn while the marketing manager is in Paris. Production may be by one of the European factories in which Westinghouse has a stake, or by licensing out its know-how to European firms, or else by importing goods from the U. S.

Utilizing licensing know-how in

NEXT MONTH:

The Little Known Story of Thomas Edison as a Sales Manager . . .

. . . Told by the man whom the famed inventor sent on the road to "develop the territory" for the phonograph

Europe is Xerox, which established a joint subsidiary with Rank Precision Instruments to produce copying machines in Britain and market them almost everywhere outside the Western Hemisphere. The deal saved the Rank Organisation from stagnation and while Xerox appeared outwardly pleased, the success of Rank Xerox has not prevented it from easing out the British top management and bringing in its own people.

This is not uncommon in U. S. subsidiaries in Britain. Americanization of the top management has been found necessary in the U. K. by all three of the big American auto firms. Ford, moreover, has internationalized to some extent by appointing some British middle management in Germany and Germans in Britain.

Product-wise, American car makers in Europe have been inhibited from internationalizing too much, due to differences in national preferences. But these are melting away.

"Commonality" in cars

Soon the American makers' models will be standard across Europe. Ford is planning for complete "commonality" of models in 1975.

Ford gearboxes for both Britain and Germany are now produced near Liverpool. A factory planned for Bordeaux is expected to make all automatic transmissions for Ford in Europe.

General Motors' Strasbourg plant does exactly that for GM even now. But otherwise GM is behind Ford in European integration. While both Ford and GM have European head offices in England, these are really only coordinating command posts. Despite Europeanization, decisions are made mainly in the operating subsidiaries and at Detroit.

The fact that GM has two very successful subsidiaries in Germany (Opel) and Britain (Vauxhall) complicates matters for it; whereas for Ford the British firm is dominant, with a steady record of holding over 25 per cent of the U. K. market and only a tiny share in Germany.

Chrysler is further behind, and moreover its British subsidiary is losing several million dollars a year.

Differences in national preferences have inhibited internationalization of products far different from cars. Take Procter & Gamble's problem with detergents: Continentals don't like as many suds as British housewives do and the separate production has hindered integration. P & G subsidiaries in the Market report to a Common Market Division in the Cincinnati head office, while Britain's highly successful one reports to the International Division in the same office.

So far, the firms mentioned have been almost entirely in chemicals, engineering, electrical products, electronics, and vehicle-building. These industries, together with oil, account for 80 per cent of plant and equipment investment by U. S. companies in the Common Market. The oil industry, investing mainly in refining and dis-

tribution, does not stand to be much affected by tariff changes (tariffs are low or nonexistent) though it would be greatly helped in the French market if the common energy policy caused the French to dismantle restrictions on foreign oil companies.

Many other lines of business, including aircraft, are unlikely to be affected much by enlargement of Market membership.

American light industry firms have not expanded much in the Six, but they loom larger in Britain. Gillette, whose European operations are centered in England, has factories in France and Germany, which produce the popular shaving products. But more special things, like surgical instruments, are shipped from Britain.

Among American food companies in Britain, Heinz has done well and has established brand leadership in soups and several other products. General Foods earns respectable profits, although its Maxwell House is overshadowed by Nestlé of Switzerland. Kraft generally has earned narrow margins. General Mills has done well on several lines, but has taken a beating through its acquisition of the British potato chip firm, Smiths Food Group, Ltd.

Ventures across the Channel when Britain is in the Market will be fraught with dangers of unpredictable national responses to American food ideas—dangers which have proved real enough in Britain to many newcomers. American advantages in Europe, in the areas where Americans really try, appear to consist of two main attributes.

One—a sense of timing in marketing and decision-making generally. Explaining why British management had had to be weeded out, one senior U. S. executive reported it was essentially a lack of ruthlessness, an inability to make the hard decision at the right time.

Two—greater readiness to adopt an international approach than Europeans can muster. This pays off. For example, a German firm selling in France is at a disadvantage compared to an American-owned firm which is established on French soil, which employs French workers and which Frenchmen therefore consider a French company.

END

APRIL APRIL APRIL

"A good time"

"This time, like all times, is a very good one if we but know what to do with it." Emerson.

A time, that is a very good one, is in April of this year.

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Winds of Change in the Draft

The director of Selective Service discusses college deferments, the "uniform national call," the number of blacks in the military, Supreme Court decisions and prospects for a volunteer army

What impact will the draft have on the nation's manpower pool this year?

Will America head toward a volunteer army?

Are Supreme Court decisions undermining Selective Service?

How many young Americans stay out of military service through successful pleas of conscientious objection?

These are some of the questions Dr. Curtis W. Tarr, director of Selective Service, touches on in this interview with NATION'S BUSINESS.

They are questions which vitally affect businessmen. The draft, depending on its size, means more or fewer young men siphoned from the labor force.

And, of course, it influences the manners and mores of this young generation—an important part of the ever-changing social climate in which Americans live and do business.

Dr. Tarr, 46, is a Harvard M.B.A.

who won three battle stars in Europe as an enlisted man in World War II. He has had a distinguished career as an educator, businessman and government official.

He was vice president of the Sierra Tractor and Equipment Co., Chico, Calif., and later became president of Lawrence University, Appleton, Wisc. He was serving as assistant secretary of the Air Force for manpower and Reserve affairs when he was named to his present post last March.

While an undergraduate student at Stanford University, he played basketball—he's six feet, seven inches—and rowed on the crew. He is an active Rotarian, and votes Republican.

Married, he has two children, both daughters.

Dr. Tarr, are you having difficulty in getting businessmen to serve on local draft boards?

None at all. They are very coopera-





PHOTOS: MICHAEL WOODLON

tive. And we would like to have more of them on the boards, especially younger businessmen. We are trying to get younger representation on the boards, as well as more minority members.

How many men will we have to induct in 1971?

I do not know.

More or fewer than the 163,500 in 1970?

I hope somewhat less, but we have no word yet from the Defense Department.

Isn't the draft almost a thing of the past, anyway? Doesn't the Selective Service Act expire this June?

No, only that part which gives the President authority to induct.

But for inductions to continue beyond the end of June, Congress must act. We could still induct people who have had a deferment. But that's all.

Are there many in that category?

Yes, they make up a substantial number of those in our 19- to 26-year-old manpower pool. So we could continue to call people for some time after June, even if Congress did not extend the President's induction authority.

How long could you continue to fill the Army's manpower needs by calling up those deferments?

Well, you have the entire male college graduating class coming off deferment this May or June.

You could call them until the last

man who had a college deferment, or an occupational deferment, reaches 26.

They would take care of our military manpower needs for several years.

Do you think Congress will let the President's induction authority expire?

We expect a difficult debate. But I am extremely hopeful that Congress will give the President continuing authority to induct.

It would be very serious for the country if it does not.

Why is that?

Because it would be very difficult for us to maintain our forces at the level they should be.

Wouldn't it also mean that a lot of men with college deferments would go in, who wouldn't be called otherwise?

The President would have the authority to induct them. But there is a question of how long he could do it, without creating a lot of animosity around the country.

People would say, "Well, you know, he's inducting them because of a legal loophole by which he can do it."

Will the Administration ask for any changes in the Selective Service Act?

We have made our recommendations to the White House. I do not know what the White House will decide.

However, I'm sure the President will again ask for the power to do

away with deferments based on education.

And I am virtually certain he will ask again for a uniform national call.

What does that mean?

Uniform national call means everyone with the same lottery number would be subject to call at the same time—regardless of where he lives.

Would it mean that everyone with the same lottery number would go in service at the same time?

No. Everyone with, say, number 63 would be made vulnerable to induction at the same time.

But some young men with that number would be on procedural delay, some on appeals, some on deferments that terminate later.

Would this be fairer than the present system?

It depends on which system you consider most fair:

A system where only a certain percentage of men come from each community—that's the system we have now.

Or a system where everyone below a certain number is called—the system the President will probably recommend.

What would be the major difference between the present system and uniform national call?

Year in, year out, it would work about the same.

There might be an occasional quirk. Suppose a local draft board had only five men in the manpower pool

Winds of Change in the Draft *continued*



one year. By some freak of chance, four of them might have low numbers, and all would be called.

But the next year, with five in the manpower pool, all might have high numbers, and none would be called.

Over the years, though, it would average out.

If the effect would be about the same, why change at all?

Let me give you an example.

Now, two college roommates have the same lottery number, say 177. One man says: "Well, I'm going to have to go. My board has reached my number."

But the other says: "Well, I won't. It doesn't look like my board is going to have to go as high as 177 to fill its quota."

Is that fair?

How does this happen?

A lot of things influence how high the board has to go.

Part of it is how enthusiastically the community supports the draft law. That influences, for example, how many young men go in willingly—and how many fight induction. If a lot of low numbers avoid induction, more high numbers go.

Part of it is how many draft eligibles in their part of the country fail the physical examination. If a lot fail, the board has to call more numbers to meet its quota.

We have quite a difference, across the country, in the percentage of people who fail.

In State A, the failure rate might be twice as high as in State B.

So, the man with a high number in State A would be much more vulnerable to the draft than in State B.

Will Congress give the President authority to do away with student deferments?

I hope so, and I think the President hopes so, too.

It would be better for Selective Service, and better for the colleges. It would certainly be a substantial advantage to the underprivileged who can't afford college.

In what way would it be better for the colleges?

Because everyone who went to college would be there to get an education.

You mean, instead of going to avoid the draft?

Yes.

How about an all-volunteer army? Hasn't the Administration set 1973 as a target date for that?

To reduce dependence on the draft, yes.

I think we will be able largely to reduce our dependence on the draft by then.

I am not convinced we will ever completely eliminate our dependence on it—if we look realistically at the manpower commitments of a great nation.

Will we get closer to a zero draft in 1971?

I'm not sure about that, although I hope we reduce our dependence on

it in 1971. I suspect 1972 will be a much more critical year.

As long as we are still in combat, it is going to be difficult to recruit men for a ground combat job.

So our hope of getting to zero draft—or an all-volunteer army—depends on ending the war in Viet Nam?

Yes. But even that may not be enough to insure that we can survive with an all-volunteer force.

I think it is important to make the armed forces as attractive as we can, so that we get more volunteers.

But, I think it is dangerous for us to determine that we can have an armed force only as large as volunteers make it possible.

Because of our foreign policy concerns, we may need, say, 2.5 million men. But we may be able to get only 1.2 million volunteers.

I think that in the future, if we are to have all the men we need, it may be likely that we should have some conscription.

Would an all-volunteer army be all-black?

I think not.

Do blacks enlist in greater proportion now than whites do?

They do not enlist in greater proportion, but they tend to re-enlist in a greater proportion.

About 11.5 per cent of all American males between 17 and 26 are black. But only 9.5 per cent of the armed forces are black; and 10.5 per cent of the enlisted men are black. So black males in the armed forces are somewhat below their percentage of the total population.

Selective Service switched to the lottery system more than a year ago. Has it been effective?

I think it has been very effective.

By the end of last year, we were able to assure 500,000 men who were classified 1-A that they would never be called, except in an emergency, because they hold a high lottery number.

This is the kind of assurance some would have waited seven years to gain under the previous system. So this is a real triumph.

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Winds of Change in the Draft *continued*

with the men they wanted last year.

We have proven that we can deliver the manpower required—and that we can go through the year without using much more than half the lottery numbers drawn.

Have any flaws shown up that you did not anticipate?

Well, sometimes a student with a college deferment who had a high lottery number simply arranged with the registrar of the college not to provide his local draft board with information that he enrolled.

The board had no alternative but to classify the man 1-A. Thus, he had a year of exposure to the draft and avoided induction later on. At the same time, because of his high lottery number, he was almost certain of not going, even while classified 1-A.

We decided that if some could figure this out, we ought to make it available to all. So we now allow all students to give up their deferments if they wish.

Of course, no one will, unless he has a high lottery number and is almost certain not to be called.

Did you discover any other loopholes?

We tightened up the rules for transferring your induction.

It used to be quite easy to jump on a bus, go out of the city, jump off and ask to be inducted by another draft board. The board had to wait until it could get your records transferred there.

If you were agile enough, you could move from state to state and keep ahead of your records for quite a while.

So we put in some requirements that you had to have a job, or be a permanent resident or have some other valid reason to show that your move wasn't just a way to delay the draft.

What is the prime purpose of the lottery?

To call the youngest first, in the 19- to 26-year-old group, rather than the oldest.

Why draft the younger men first? Because they make better soldiers?

I think that is one reason. Another

is that it's probably less inconvenient for a man to go at a younger age. He is not so likely to have family responsibilities.

Do you have any statistics which show whether there is an increase or decrease in conscientious objection claims?

We have information on how many people have been classified as conscientious objectors. But we don't have information on the number who have claimed to be conscientious objectors—except for recent months.

How many claims are being made?

In June, 1970, we had about 14,400. Then it fell to about 12,000 in August, 9,700 in September and 8,600 in October.

Since then, the number has averaged about the same as October.

How many claims are being granted?

About 3,000 a month—or 36,000 a year. This is a higher level than we have had in the past.

What are the figures for previous years?

In 1969, about 18,900. In 1966, about 12,800.

All these totals include conscientious objectors who won't serve in the armed forces at all, and those who'll serve but won't carry a gun.

Aren't there some recent Supreme Court decisions that jeopardize the draft?

Well, the Welch decision broadened the grounds on which a plea for conscientious objection can be made. The Selective Service law has the phrase "religious training and belief." It was only on the basis of this that a plea could be made.

Mr. Welch said he was a conscientious objector, but he was not religious in any sense.

It was a case brought to represent the cause of the humanists, the ethical philosophers. And, of course, the American Civil Liberties Union, because it feels that the First Amendment to the Constitution indicates that no discrimination should be made on the basis of religion—or lack of it.

The Court ended up by saying that religion in the law is much broader than most people could conceive. The fact that a defendant said he was not religious, it ruled, does not mean he is excluded from protection under the phrase "religious training and belief."

But it does not appear that the Welch decision will make much difference in the number of conscientious objection claims we get.

Isn't there another case before the Court which would have much greater impact?

Yes, the Court has promised to hand down a decision on "selective objection" before this session is over.

Selective objection is a plea made by a man who is opposed to a specific war—but not all wars. He says some wars are just, some aren't.

The Supreme Court has consistently ruled that a conscientious objector must be against all wars—not just a particular war.

Haven't you said a decision for the plaintiff in this case would make it impossible for the Selective Service system to operate?

We feel it would be virtually impossible to make adequate judgment of selective objection in our local draft boards.

They are hard pressed now to determine who is a sincere objector to all wars.

This doesn't mean you couldn't operate some system.

How would you have to change it?

My hasty reaction is that we would have to rely much more on the judgment of professional panelists—as opposed to the laymen we have on our boards now.

Many people might say: "Well, why don't you start using professional panelists now to hear pleas of conscientious objection?"

Obviously, it would cost a lot more money.

But even if we had no dollar problems, I think Selective Service would lose a great deal if we lost the enthusiastic cooperation of the citizen volunteers who serve on those boards—but are not competent to rule on selective objection. **END**

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Wide-Awake Time Down South

Businessmen in booming Memphis are taking the lead in developing new approaches to old problems



Memphis' skyline rises above the skeleton of a new interstate highway bridge across the Mississippi. The city grew rapidly in the Sixties and businessmen hope to better this record, largely by improving race relations.

Remember the old song with stanza after stanza ending, "and that's what I like about the South"?

If you were writing that song today, you might well replace some of its ham, yam and dear old mammy lines with some about boom and change.

From Memphis to Mobile, from Savannah to New Orleans, cities and towns are breaking the restrictions of one-industry and agriculture economies. Rapidly spreading industrialization and commerce are pulling more and more people away from the farm.

According to the new census, the South is urbanizing at twice the rate of the North.

And for the first time in a century, the tide of migration is toward the South, not away. During the Sixties, people moving in outnumbered those moving out by about 500,000. The Census Bureau calls it a "historic turning point."

In many ways this revitalized and changing South, and its internal pres-

ures stirred by the mixing of the new with the old, are typified by Memphis, Tenn.

The old Memphis which existed mainly on cotton and river trade is gone. Now sprawled through the city and the Mid-South—the region within a 75-mile radius of Memphis in the Mississippi River lowlands—is a rapidly growing industrial complex in which investments of nearly \$2.5 billion have created more than 1,500 new plants and about 250,000 new jobs in the past 15 years.

Economically, the outlook is bright because growth is accelerating and development has reached the stage where the area can support much faster investment.

It also is bright, many observers feel, because of a new attitude toward race relations.

White men and black men are talking together more frankly and working together more closely in Memphis today than ever in the past.

White leaders, according to a survey by the city's morning newspaper,

The Commercial Appeal, overwhelmingly acknowledge that race is Memphis' number one problem and that the condition of black citizens must be improved as rapidly as possible.

Business to the fore

The business community has stepped to the forefront in meeting this challenge.

Business leaders have been instrumental in opening lines of communication to black leaders. They played the key role in working out solutions to a sanitation workers' strike in 1968 and a dispute over the composition of the School Board in 1969, the two most serious racial confrontations in Memphis history.

For the longer term, local businessmen are supporting the proposition that economic prosperity and a solution to the race problem must go hand-in-hand, that one is impossible without the other.

The business community's instrument for pursuing these interlocked goals is the Greater Memphis Pro-



Business leaders Lewis K. McKee (left) and Lawrence S. Wade inspect black-owned Metro Shopping Plaza. Mr. Wade says, "For the Negro, the South has become the land of opportunity."

gram, aimed at attracting new industry with new jobs for both races.

Lewis K. McKee, board chairman of the National Bank of Commerce and first chairman of the Greater Memphis Program, explains it this way:

"In effect, our program is telling leaders of business and industry throughout America that responsible leaders of our city realize Memphis cannot enjoy the advancements it is capable of making as two separate communities. So working for better educational and job opportunities for Negroes has a high priority in our program because we know that if we successfully handle this problem the remainder of our problems will be solved with ease.

"In other words, we have created an atmosphere where white and black leaders can work and live together with understanding and appreciation of the other's views. We are proving to those who decide to locate manufacturing plants, home offices and distribution centers here that they

will not have to concern themselves with the race problem in Memphis because we're 'on top of it' and making good progress toward its solution."

Also, regionalism is a Greater Memphis Program watchword.

The Memphis Area Chamber of Commerce, manager of the program, actively promotes investment within the Mid-South, which reaches deep into eastern Arkansas and northwest Mississippi as well as west Tennessee. It can claim at least partial credit for the fact that this area is growing faster than the city itself.

In 1969, more than \$200 million were invested in manufacturing facilities in the area as opposed to \$125 million in the city and immediately adjacent Shelby County. This brought 122 new plants and 101 expansions to the area and created over 21,000 jobs with a payroll of \$127 million. In Memphis and Shelby County, the tally was 19 new plants and 37 expansions, with some 3,700 new jobs and a payroll of \$23 million.

The objective is to avoid a con-

centration of industry within the city limits and to prevent its encirclement by a series of bedroom towns with all the transportation, taxation and loyalty problems associated with a labor force that lives in one community and works in another.

Instead the plan is to keep office, industrial, retail and residential areas as balanced and dispersed as possible on the theory that every new development in the area will benefit the central city—Memphis.

Booms and bossism

Memphis' position as hub of the Mid-South is even stronger today than at its founding in 1819 when the steamboat boom was beginning to line the Mississippi and Ohio River valleys with farms, towns and industry.

Then, three Nashville real estate developers (one was Andrew Jackson) laid out the city on 5,000 acres of Chickasaw Bluffs because it was the only large flood-free point on the river for about a hundred miles in

Wide-Awake Time Down South *continued*

either direction. Eventually, levees freed other locales from the flood menace and railroads spread the population and ended the steamboat's primacy, but Memphis wasn't bypassed and has never relinquished its commercial leadership of the Mid-South.

Until recently, however, circumstances have conspired to keep this leadership from breaking out of the provincial mold.

In the 1870s yellow fever ravished the city repeatedly. It stifled a promising boom in which Memphis was acquiring a cosmopolitan population and was stepping beyond the role of cotton merchant to become an important trade center between North, South and West.

Recovery took more than two decades and it was followed closely by a political phenomenon almost as debilitating as the plague.

One-man rule, as absolute as any ever achieved in a U. S. city, was established in 1909 with the first election of E. H. "Boss" Crump as mayor. It endured until his death in 1954.

Reportedly, his sanction over economic, social and civic matters reached to such a depth that he okayed elections of P.T.A. and American Legion officials.

The decade following Mr. Crump's passing has been called "sophisticated anarchy." Leadership in Memphis was so thoroughly splintered that unity seemingly was possible on only one matter. That was to prevent the rise of another boss.

Today, leadership still is broadly based for a city of more than 620,000, but the leaders now are working together on major projects such as the Greater Memphis Program.

A six-month study conducted by *The Commercial Appeal* identifies 320 persons who have contributed to major civic, political, business and social decisions in Memphis since 1965. It says 42 played the most prominent roles, even though no single one of them exerted influence on all decisions.

As described by the newspaper, this top leadership group is "a fluid, frequently competitive, almost structureless combination of political, commercial and professional people."

Six of the 42 are black. One is a woman.

Finally, the study isolates 13 who are most influential of all. Of these, only three occupy elective office. This leads the newspaper to conclude: "No longer does the decision-making here belong solely to government and political figures. Instead, this responsibility is falling increasingly to civic, business and nonpolitical leaders."

Getting moving

Business leadership began solidifying in 1967 and 1968 with the revitalization of the Chamber and the focus

of its energies on the Greater Memphis Program.

Allen Morgan, board chairman of the First National Bank and one of the men credited with fathering the program, says, "We just weren't moving like other cities, such as Atlanta and Dallas. The missing reason was that our top business leaders simply were not involved. We've made a lot of progress in this direction in the last two years."

The Greater Memphis Program was initiated before the murder of Dr. Martin Luther King Jr. at the Lorraine Motel in Memphis in 1968. But

John T. Fisher (right) directs training of unskilled workers in Memphis. B. Lee Mallory heads the newly-formed Greater Memphis Urban Development Corp., which fosters black capitalism by providing business counseling and—thanks to a federal grant it has received—financial aid.





Odell Horton (left), new president of LeMoyne-Owen College, and his predecessor, Dr. Hollis Price, walk across the campus. Both are among the 42 "most influential" men in Memphis, according to a local newspaper study.

this gave it considerable emphasis.

"The King assassination was a very traumatic event in the life of this city," says John T. Fisher, automobile dealer and head of the city government's Manpower Commission, which directs training of minority workers.

In the end, business oversubscribed the program's \$4 million contributions goal. The fund is being spent at the rate of more than \$1 million a year, from 1969 through 1972, in national advertising and promotion of the area.

At least partly as a result, heavy construction completed or under way in Memphis and Shelby County in 1969 was valued at about \$200 million. Included are 33-story and 40-story bank buildings, three office parks and a \$75 million office and light industry complex. New public facilities include a \$19.5 million Internal Revenue computer center, a \$25 million expansion at Memphis International Airport and a \$50 million interstate bridge over the Mississippi.

One goal is to transform Memphis into a major tourist and convention center, drawing visitors from across the nation, instead of primarily from the Mid-South. Motel and hotel accommodations are expected to increase by 5,000 in the next five years. The nighttime patterns of the city already have been changed through voter approval of liquor by the drink.

A new showcase is planned for the city's music, which has its own distinct place in the South's blues and country music heritage but has never received the home town support for commercialization afforded by Nashville and New Orleans.

Beale St., redeveloped with apartments, businesses and entertainment houses, will be the heart of the new "blue light" music district. Its spiritual father is W. C. Handy, the black cornetist who originally gave Beale St. its fame and was one of the first uniting forces between the races in Memphis. Total investment planned for the Beale St. section redevelopment is \$175 million, of which some

\$25 million will be public funds. On the intangible side the Greater Memphis Program has developed as a major communications bridge between the races.

Ending "Black Mondays"

Its most important accomplishment has been leadership in the settling of the school board dispute which began in the fall of 1969. A small group of Negro citizens backed by the local chapter of the National Association for the Advancement of Colored People sought immediate black representation on the board and the hiring of more blacks as teachers and administrators.

At first there was even doubt as to whether the school board would meet to consider the demands. There were no other channels through which the issue could be discussed and after more than a month without action resentment grew among blacks.

In a series of "Black Mondays" an increasing number of Negro students and teachers boycotted the city

Wide-Awake Time Down South *continued*

schools, whose enrollment is 53 per cent black.

Chamber officials headed by W. D. Galbreath, president of Percy Galbreath & Son, Inc., who was Chamber president at the time, succeeded in arranging a meeting between the NAACP and top businessmen.

There were other sessions, and eventually attempts to work out a settlement fragmented into many private meetings, most of them small. One, between Greater Memphis Program Chairman McKee and Dr. Hollis Price, then president of Le-Moyne-Owen College, a local black school, resulted in creation of a biracial committee of 10 of the city's most influential leaders.

The committee first succeeded in ending violent confrontations be-

tween police and demonstrators by persuading the city administration to relax regulations concerning public gatherings. Next it persuaded the NAACP to agree to a brief moratorium in the school boycott, in return for a guarantee by white leaders of "good intentions" in reaching a solution acceptable to the NAACP.

Acrimony died hard, though, for many blacks labeled the agreement a sellout and some NAACP officials resigned their posts in protest.

In a very short time, however, the biracial committee completed discussions and called for black representation on the Board and for no action against teachers and students who had participated in the demonstrations. These recommendations were accepted and the NAACP then

suspended its activities against the School Board.

Business initiative was especially important in these events because the School Board, which is elected, is a power unto itself in local government. Memphis Mayor Henry Loeb says, "By law, the mayor doesn't make any appointments to the School Board, and doesn't have any say in its budget. The objective of the law is to leave the operation of the school system completely in the hands of the Board."

No letup in pressure

Despite the mutually satisfactory conclusion to this crisis, race relations in Memphis remain a mountainous problem.

The city's racial breakdown is 60

Key leadership posts in Memphis are occupied today by Edgar H. Bailey (left), president of the Memphis Board of Education, and Allen B. Morgan, chairman of the First National Bank. Mr. Morgan is new president of the local Chamber.



per cent white and 40 per cent black, and this ratio has held just about constant since the Civil War.

Other statistics reveal the numbing depth of the problem.

About 85,000 persons are on welfare. The vast majority of these people are black.

To put it in other terms, about one in seven of the city's total population, or about one of every three black persons, is firmly gripped in poverty.

So black leaders constantly press for faster change, with little likelihood that the pressure will relax for years.

"The city's number one priority has to be to find some means of raising the income of these low-income people," says Odell Horton, first black official of the city's hospital system, former criminal court judge and now president of LeMoyne-Owen College.

"Over-all, the city is moving in the right direction, but I don't say it has hit full throttle yet."

Rev. Ben L. Hooks, another black leader who is president of Mahalia Jackson's Chicken System, Inc., and pastor of the Middle Baptist Church, says, "Above all, white folks are just sooner or later going to have to realize that it's hard for the 60 per cent to make progress while the 40 per cent doesn't."

White leaders disagree as to the proper course. Some want to move faster than others.

The Manpower Commission's John Fisher says, "I believe the Chamber and the city should adopt some quantitative goals for which we can be held accountable. One such goal might be to achieve a given increase in per capita income for black people over a specific period. Then at the end of the period we can be judged on our accomplishments."

Series of breakthroughs

Despite the diverging views Memphis can point to solid accomplishment.

The city was the first selected by the Department of Housing and Urban Development for participation in Operation Breakthrough, designed to produce low-cost housing through new techniques and elimination of artificial restrictions.

A local builder has launched con-

struction of 1,000 low-cost units. And HUD approved a \$30 million program to rehabilitate 2,000 run-down units in the central city over two years.

Training of workers by business under Labor Department contract has soared, with subsidies rising from an annual level of \$50,000 to more than \$2.5 million in about two years.

The city has won federal subsidy for a "special impact" program to promote black business ownership, management and potential. It includes management development, upgrading of neighborhood business and creation of loan pools for black businessmen.

A major development is the \$1.3 million Metro Shopping Plaza which has been jointly financed by the Small Business Administration, the National Bank of Commerce, Equitable Life Assurance Society and a small stock sale. A majority of stockholders are black, and it will house 18 businesses and provide jobs for some 200 Negroes.

Main Stream Computer Service, Inc., a new, successful and predominantly black-owned firm is supplying computerized accounting and business services to the community.

M-T Manufacturing Co., another black-owned enterprise, is turning out plastic products.

Still another such company, Memphis Tubing, is being started with the aid of the Chamber and three years of contract guarantees from the Chrysler Corp. Its first product will be automobile tailpipes.

Over the long run, however, the principal hope rests with the Greater Memphis Program goals of new industry with large numbers of new jobs, and of maintaining the current attitude of realism and cooperation.

Mr. Horton told a meeting of the Chamber, "I believe that white people are beginning to understand that if black people in our city are to be helped it is the white people that are going to have to do it."

"It's going to be your skill ... your knowledge ... your great ability that we're going to have to absorb ... if we're going to make it. I think the future lies in training, in jobs and in uplift programs that will absorb Negroes into the corporate economy that you represent." **END**

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Cutting Down on Lost Causes

A busy executive tells how the time he spends on personal contacts with Washington lawmakers contributes to mutual understanding

BY HERBERT P. PATTERSON
President, The Chase Manhattan Bank



PHOTO: JIM JACOBSON/REX

Ordinarily, a period of high interest rates and tight money would seem like the worst possible time for a banker to go calling on Senators and Representatives on Capitol Hill.

But I started doing it a year ago when money was at its tightest, and I've been at it at least once a month since then. I've invariably been received with a gracious blend of cordiality and curiosity. I've found the legislators more than willing to listen to my side of the story of money, credit and banking, and eager

to question me on virtually every aspect of the current economic scene.

One day, talking with a Cabinet member, I spoke of what turned out to be my unwarranted fears of criticism and described the searching but friendly questioning that customarily took place at my sessions with the Congressmen.

The Cabinet officer said that, contrary to what bankers and other business executives often believe, people in the Legislative and Executive

branches of government welcome the expert opinions these men can offer, either in private conversations or in testimony at legislative hearings. It adds significantly to the dialogue, he said, and contributes to the development of forward-looking legislation in the national interest.

I have heard similar assessments from many Washington officials.

In essence each has made the point that the trouble with many businessmen is that they go to Washington only at the last minute when some issue, critical to their interests, is about to reach a final vote. By then there is almost nothing they can add or subtract from the measure.

Even worse, some businessmen remain silent all through the legislative process, then write scathing letters to Congressmen on how bad a bill was, as finally enacted.

Such people, said one lawmaker wryly, remind him of the fellow who rushed into his doctor's office and said he needed an immediate operation to remove a silver coin he'd swallowed five years earlier.

"Why," asked the doctor, "have you waited five years? Why didn't you attend to it the day you swallowed it?"

Replied the patient: "I didn't need the money then!"

Unnecessary battles

This attitude explains, in part at least, why business and government frequently find themselves engaged in pitched battles over issues that might well have been settled equitably before enactment of punitive legislation that must be lived with for years.

Instead of dissipating its energies fighting lost causes, business might better have joined with government in constructive efforts to temper and improve changes that were inevitable anyhow.

Business and banking are increasingly dependent upon being understood by government, which provides and enforces rules of conduct, determines business climate and has, in the end, a good deal to say about day-to-day operations. Unfortunately, though, government officials often have little direct contact with business. The same applies to many businessmen with respect to govern-

ment. A number of avenues are available to remedy this situation.

One is the array of organizations such as the Chamber of Commerce of the United States, whose activities have played an important part in the development of constructive legislation. The Chamber has staff executives representing all facets of business and industry and it makes frequent appeals for executives to testify personally during hearings on important legislation.

There are also other organizations representing individual industries—the American Bankers Association as an example.

Our own bank maintains a small but very active Washington staff because at Chase Manhattan there has long been an effort to make our official staff more readily available to members of Congress who wish to know about our business.

Managers of our branch banks in Greater New York keep in close touch with the Congressmen who represent their areas.

Officers of our United States Department, which handles our banking on a national scale, make frequent trips to meet with Representatives and Senators—not only those from New York State but from all states where we carry on correspondent banking activities or are involved with the financial aspects of industry.

With all these people involved directly, you might wonder what reasons there are for me to spend a dawn-to-dusk day in Washington each month. It seems to me there are several.

An "early warning" system

For one, there is the realization that as many decisions are being made on the future of business and banking in the halls of Congress these days as in corporate board rooms. Legislation on automobile safety, packaging requirements, cigaret advertising and other issues has had a profound impact on scores of businesses.

In view of this, it is hard for a chief administrative officer to argue that he doesn't have time to go to Washington because he is so busy at the home office. It behooves him to get to know more about how the decisions

that will affect his company are being made and to provide the technical information that will help to shape these decisions along constructive lines.

No matter how many "confidential" reports an executive reads, he cannot possibly absorb the feel and the mood of Washington the way he can by actually being on the scene. Regular contacts with Congressmen and Cab-

care for the aged to the best way to get to the moon.

The men and women in the two houses of Congress whom I have met represent a high level of competence and devotion to duty. Most of them are serving at great financial sacrifice. The \$42,500 salary is far less than most of them could earn in any one of a number of careers in the private sector.

Not all of Mr. Patterson's contacts with Washington lawmakers are in the capital. Here, he and Chase Manhattan Chairman David Rockefeller (background) are about to lunch in Manhattan with (from left) Sen. Jacob Javits (R.-N. Y.) and Rep. Emanuel Celler (D.-N. Y.).



inet officers frequently provide an "early warning" system of legislative trends that can be enormously helpful in evaluating future courses of action.

Not the least important lesson an executive can learn from regular visits to the capital is that Senators and Congressmen are dedicated human beings, far removed from the cartoonist's stereotypes and the comedian's quips. They grapple each day with an almost impossible job. They are expected to pass judgment on hundreds of different issues ranging from health

Neil H. McElroy, board chairman of Procter & Gamble, who was Secretary of Defense in the Eisenhower Administration, expressed very well what I have found to be true.

"From my own experience in government," he said, "I know that the vast majority of men and women employed there are conscientious public servants. Most are receptive to facts properly presented to them and most are readily approachable."

"We in business need, more than anything else, to learn to communi-

Cutting Down on Lost Causes *continued*

cate better with them, and to take the time and make the effort to do it."

A number of companies and groups already do an excellent job of communicating.

My banking colleague, A. W. Clausen of the Bank of America, is no stranger to Capitol Hill. Men like Edward Cole of General Motors, John Connor of Allied Chemical and Charles Myers of Burlington Industries, among others, have made a real effort to provide legislators with information, to discuss with them problems of mutual interest, and to give them their best judgment as to how particular issues can be handled in the national interest.

Unfortunately, though, there are not enough business executives doing this, and the rank-and-file are like the patient with the coin. Over the longer run, their woes are bound to mount because inevitably there will be more and more legislation coming up for consideration that could plague their business lives.

No time for leisure

Lest anyone think the Washington visit is a leisurely round of luncheons and cocktails, I can assure him it is the hardest of hard work. The hours are long, the appointments scattered over considerable acreage. A regular routine of jogging as preparatory conditioning would not be amiss.

Often, as I've crossed and recrossed Capitol Hill for tightly scheduled appointments, I've thought a motorized golf cart would be useful.

On each visit I face 10 or 12 appointments that have been intricately organized by the Washington representative of Chase Manhattan. He spends untold hours making my schedule dovetail with those of the Congressmen. A recent schedule:

- 8:30 a.m. Arrive National Airport
- 9:15 a.m. Sen. Ernest Hollings of South Carolina
- 9:45 a.m. Rep. William Widnall of New Jersey
- 10:30 a.m. Sen. Warren Magnuson of Washington
- 11:00 a.m. Sen. Alan Cranston of California
- 11:45 a.m. Rep. Gerald Ford of Michigan, House Minority Leader. (I'm asked to note that if he's de-

layed at a White House conference the appointment will be rescheduled for 3:45 p.m.)

Noon Luncheon in House dining room with Rep. Leslie Arends of Illinois, the House Minority Whip, and Rep. Harold Collier of Illinois

1:30 p.m. Sen. Henry Jackson of Washington

2:00 p.m. Sen. Wallace Bennett of Utah

2:30 p.m. Sen. Robert Packwood of Oregon

3:15 p.m. Rep. Hale Boggs of Louisiana, the House Majority Leader

3:45 p.m. Rep. Gerald Ford (who was delayed at the White House)

Also on the schedule, if time permitted and they could break free, were Rep. Benjamin Blackburn of

Georgia and Sen. William Brock of Tennessee.

Some might question the usefulness of this hurly-burly of appointments in terms of providing constructive information. But even such brief encounters, it seems to me, afford an opportunity to make key points and to further the dialogue between government and business.

The personal contact also helps break down the barriers of suspicion on both sides by demonstrating that businessmen don't wear horns and Congressmen don't have hooves.

The importance of this personal element was vividly demonstrated on a recent visit to a Senator who had had trouble with a bank credit card.

He had tried to make a purchase at a high-grade store with his card, but the clerk declined to give him credit. The Senator walked out with something less than a favorable image of banks and bank credit cards.

"... Businessmen don't have horns and Congressmen don't have hooves ..."



Soon afterward, I dropped in on him. You can imagine the reception—and who did most of the talking!

Yet the mixup was the result of a perfectly human misunderstanding. The Senator was from a Western state, and several of his identification cards bore his Western address. But his credit card was issued through a Maryland bank, and his home address was given as Washington. From a credit standpoint, admittedly confusing.

I telephoned a bank associated with the credit card group and one of its key executives responded immediately. Happily, the matter was smoothed over and the Senator is now, I hope, satisfied that the banking industry really wants to provide good service.

They want to know

Perhaps the most impressive aspect of my monthly visits has been the keen interest exhibited by various members of Congress in economic and banking matters.

They want all the information they can get about things like interest rates, loans and mortgages. Beyond these more technical aspects of banking and monetary matters, I find these men and women sincerely interested in urban affairs and minority problems.

What, they frequently ask, is my bank doing to help combat urban problems in the nation's largest city? What are we doing to assist in the employment of minority groups? Do I think this typical of banking in general?

What future plans do we have and does the industry have for establishing a forthright policy of making funds available for minority entrepreneurs?

These are not mere points of conversation but penetrating examinations of how banking is meeting its social obligations. There is no doubt that the answers are being carefully filed away in the Congressmen's minds, to be used at some future period when legislation on these subjects comes to the fore.

As for myself, I've learned a number of things from my Washington visits.

I have a much keener apprecia-

tion than before of the problems the legislators face. I also have a better understanding of how greatly concerned government is, at all levels, with the many facets of the economy.

Given this concern, we in business and banking have a special responsibility of helping to see that the facts about our economy and our businesses are presented and understood.

If this is done, the chances are much better that our lawmakers will find workable solutions to the problems we face.

Instead of looking upon government as a hobbling nuisance or a hostile force, we must come to regard it as a partner in the achievement of national aspirations.

There is one final point that comes clear: Business and banking are likely to fare much better in Washington if they emphasize the things they are *for*, rather than everlastingly stress what they are *against*.

Curiously, when you strip away the outmoded attitudes of opposition and the ritualistic rhetoric, you find that what most businessmen are *for* is pretty much what the country at large is seeking today: To achieve lasting peace in the world, to provide a meaningful opportunity for all citizens to achieve a rewarding place in our national life, to safeguard the purchasing power of earnings and savings, to strengthen the growth of the economy, and to stimulate programs for meeting our urgent needs in health, education, welfare and public safety.

In short, most businessmen are *for* responsible actions to bring about a better life for all Americans.

And they can achieve these goals far more readily, in my view, by spending less time "fighting City Hall" and more helping our legislators and other public officials to deal constructively with problems involving the quality of our lives and the character of our society. **END**

REPRINTS of "Cutting Down on Lost Causes" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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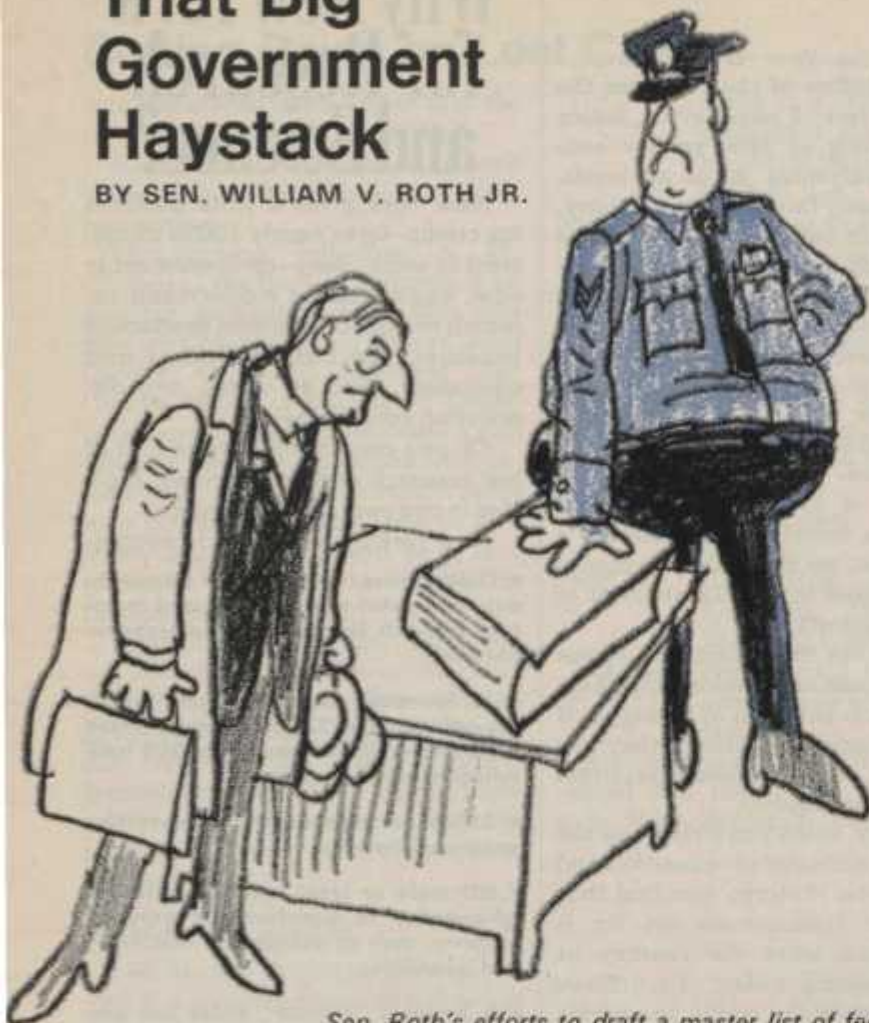
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That Big Government Haystack

BY SEN. WILLIAM V. ROTH JR.



Sen. Roth's efforts to draft a master list of federal aid programs were hindered by such devices as a "confidential" label slapped on OEO's phone directory.

The proverbial effort to find a needle might have been easier than that required to come up with a simple, accurate list of federal aid programs

It's hard to imagine a company where nobody has more than a vague idea of the type and number of products being turned out.

But that's what happened in the federal government as one new financial aid program after another sprang up during the 1960s.

New programs were launched or old ones expanded in agriculture,

education, health, housing, welfare, commerce, transportation, conservation, science, environmental protection, law enforcement, veterans' assistance, recreation, the arts and many other areas.

But no one in Washington at any level had full knowledge of exactly how many programs had come into existence, and the whole structure of assistance became a jungle penetrable only by the most skilled and most sophisticated hunters of federal funds.

As billions of dollars were ladled out, some agencies actually were secretive about what they were doing. The Office of Economic Opportunity once classified its telephone directory "confidential" when I sought to examine it to try to figure out which of its programs could be classified as federal aid.

I became aware of the critical infor-

mation gap in the assistance programs shortly after I was elected to Congress in 1966. I toured my state to discuss problems with officials at all levels—the Governor, mayors, county commissioners, educators.

It immediately became very clear that one of the biggest roadblocks they all faced was that they simply couldn't find out with any reasonable effort what federal aid might be available.

And once the right program was found, another major hurdle was the time and effort required to puzzle out the incredibly complex application forms and procedures.

To my mind, there seemed one, logical, simple answer: Issue a comprehensive list of all federal aid programs—a catalog indexed by functions; one that, in simple language, identified existing programs and told how to apply for their benefits.

But, in Washington, I learned that logic and simplicity aren't always the easiest things to find in government.

Just recounting here the frustration of trying to assemble a list of all the programs under which federal money is available to states, local governments and individuals is a good reminder of how big and complex our bureaucracy has grown.

The need for such reminders from time to time is one reason for this article.

No common denominator

When I started to search for federal assistance information, I found hundreds of pamphlets and brochures and the like, but no central repository of meaningful material on all operating programs.

There was not even a common

SEN. ROTH, 49, is a Republican who was elected to the U. S. Senate from Delaware last November after serving two terms as that state's only member of the House of Representatives. He is a native of Montana, was graduated from the University of Oregon and later earned his law degree and a master's degree in business administration at Harvard.



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definition as to what constituted a domestic assistance program.

Clear-cut information was so difficult to obtain that there had arisen a "federal assistance complex," based on the new techniques of "grantsmanship."

Wealthy states and communities, plus the richer colleges and universities, hired Washington-based consultants or actually set up full-time staffs to search out and pursue available grants. The smaller states, communities and schools were unable to afford such luxuries.

Meaningful information is the "Open Sesame" to federal assistance programs, because most of them require that action be initiated by those needing the aid. As a result, lack of adequate information has resulted in advantaging the advantaged and disadvantaging the disadvantaged.

And it wasn't only the potential beneficiaries who had trouble.

Members of Congress were unable to take an over-all view of federal aid for lack of a comprehensive listing of what the government's departments and agencies had done under the broad policies laid down for dealing with specific domestic issues.

I decided to draw up a master list myself and was naïve enough at the time to think it could be done rather quickly. With the assistance of my staff and outside volunteers, I began asking each federal department and agency to tell me what aid programs they were responsible for and give enough simple details to help potential applicants.

But the bureaucratic mind did not view my letter as a simple request at all.

An assistant secretary of Health, Education and Welfare came around to see me. Instead of talking about the information I wanted, he asked: "Young man, what's your problem back in Delaware? We'll do our best to help you."

He thought that my inquiry was a cover to help me straighten out an actual problem back home, and that if he took care of it, I'd forget the whole thing.

One agency told me that providing the data would cost thousands of dollars, and it couldn't go to such an expense for just one Congressman. So

my next letter of request was signed by more than 25 sympathetic Representatives.

Another agency tried to beg off on the ground that its programs changed too fast. I wrote back: "How can local officials make any intelligent plans if you change these programs as rapidly as you claim?"

Always an excuse

Some agencies *always* seemed to have some reason why they couldn't do the seemingly simple task of providing the information.

When it became obvious I wasn't going to get the information from everybody just by requesting it, I tried other avenues.

An earlier aid manual issued by the Office of Economic Opportunity fell woefully short of being complete but it served as a starting point. We combed the telephone directories of various agencies for listings that indicated a specific program.

OEO at this point refused to provide its telephone directory on the ground it was "confidential." It later relented.

While most agencies eventually cooperated, the worst to deal with were

two of the most important as far as federal aid programs went—the Department of Health, Education and Welfare and the Department of Agriculture.

I sent a questionnaire to individual division heads within HEW and a few replied promptly. But I soon heard that the top brass there had issued confidential orders that my letters were not to be answered directly, but forwarded to the Department's Congressional liaison office.

With that, the people who had already answered began quietly telephoning my office to ask if we would please return their letters so they wouldn't get into trouble. I obliged.

Then, after directing that all the correspondence from me be turned over to that one office, HEW claimed it was too big a job for one office to give me all the information I wanted.

We combed the departmental breakdowns in the President's budget for anything that looked like an aid program and through these and other means, we turned up 1,500 possibilities. But I wasn't interested in a numbers game, and consulted with general counsels of the various agencies on

Novice applicants often had to hire "grantsmanship" experts because of lack of comprehensive guidelines on aid programs.





The Congressional Record was in great demand after the Senator's program list appeared in it.

That Big Government Haystack *continued*

whether a particular listing was in fact a separate program.

Results at last

The new result was a list of 1,050 programs and it was printed in the Congressional Record on June 25, 1968.

The reaction was overwhelming! Requests for copies of the Record poured in from all over the country and the list was then printed as a public document that was also in tremendous demand.

The following year, after receiving better cooperation from the Executive branch agencies, I issued a new list that identified 1,315 programs. (HEW ordered 1,800 copies!)

Meanwhile, the Executive branch had begun moving more effectively toward the same goal, but only after I had spotlighted the shortcomings of some of its earlier efforts.

The Library of Congress had produced the "Catalog of Federal Aids to State and Local Governments" in 1964. But it was terribly incomplete, as was a second catalog published in June of 1967 by the OEO. This one listed 459 programs, which the OEO said were "all" of the federal govern-

ment's domestic assistance programs.

The listing I issued just a year later, showing over 1,050 operating programs, made it clear that the OEO effort neither was complete nor did it contain the information most needed to help potential beneficiaries decide whether and how to apply.

A third OEO catalog, issued in April, 1969, was up to 581 programs, but my second listing showed more than twice that number, 1,315.

That's quite a difference!

My research firmly convinced me that there is a need for permanent machinery to keep an up-to-date catalog of federal programs in language that can be readily understood by people who are not experts in "grantsmanship."

To this end, I introduced in the Ninety-first Congress the Program Information Act, and while it was not enacted, I'll be trying to get this legislation in the Ninety-second Congress just now beginning.

My bill will require the establishment of a basic catalog of federal domestic assistance programs and also require it to be kept current.

The proposal has bipartisan support in both houses, as well as endorse-

ment of the National Governors' Conference, the National Association of Counties, the Council of State Governments, the National League of Cities, the U. S. Conference of Mayors and the National Association of State Budget Officers.

A guide through the maze

There's little doubt of the great need that exists to provide our states and local governments, our school boards and our colleges, with information on programs of concern to almost every citizen.

In addition to serving potential beneficiaries, a comprehensive listing can be a vital tool for members of Congress, giving them a broad view of the field of federal aid.

One look at the functional index of the OEO catalog, for example, illustrates vividly the duplication and overlap now existing.

Five agencies administer 25 programs for community development in rural areas. Seven agencies administer 33 programs for elementary and secondary schools.

There are 23 agricultural production and operations programs administered by five agencies, and at least 53 programs scattered among nine agencies are listed under water-pollution control.

Too frequently, we here in Washington organize our government to suit administrators and not recipients. Line charts of government organizations are very important but they do little to help a bewildered mayor who is seeking federal assistance in the solution of his community's problems.

We are talking about 1,350 individual programs spread among 57 departments and agencies of government.

This fiscal year, the total outlay under them will be nearly \$80 billion. (Federal aid 10 years ago was less than \$25 billion.)

The potential recipients of federal aid are the 50 states, 3,000 counties, 18,000 municipalities, 17,000 townships, 25,000 school districts and 2,500 institutions of higher education—and, in the final analysis, the more than 200 million American citizens.

It is important not only that officials at all levels of government are able to determine what programs exist and what they must do to qualify for them, but that as much of the money as possible goes to the ultimate purpose for which it was intended. END

Official Tax Calendar for February, March and April

Prepared by the U. S. Internal Revenue Service

This is the second *Nation's Business* installment of the official Internal Revenue Service tax calendar for 1971.

The first installment, covering January, was published in the last issue, and the remaining 11 months were to be covered in this issue. However, the Treasury Department has adopted new regulations for depositing withholding and Social Security taxes and manufacturers' and retailers' excise taxes, forcing a change in publishing plans.

This installment covers only February, March and April. *Nation's Business* next month will publish the tax calendar for the rest of 1971.

Actions indicated in the calendar should be taken by the dates listed. Saturdays, Sundays and legal holidays, but not local banking holidays, have been taken into account. Deposits of income tax withheld, Social Security taxes and excise taxes must be made with an authorized commercial bank or a Federal Reserve bank.

Under the new rules, deposit requirements will be considered to have been met if at least 90 per cent of actual tax liability for a deposit period is deposited. Any underpayment for a deposit period during the first or second month of a quarter will be due with the first deposit after the fifteenth of the next month. An underpayment during the third month can be made up by the end of the month following the end of the quarter. Overpayments of tax liability for a deposit period will be credited to the next tax period.

The rule which gives a taxpayer who has made required deposits on a timely basis an additional 10 days beyond the regular return due date to file his return has been retained. The new regulations also provide a similar 10-day extension for filing returns in the case of deposits of taxes due under the Federal Unemployment Tax Act.

If you file your income tax return on the basis of a fiscal year, you should make the changes described at the end of this calendar.

FEBRUARY

Feb. 1

INDIVIDUALS should file an income tax return for 1970 and pay the tax due if the balance due on their 1970 estimated income tax was not paid by Jan. 15. Use Form 1040. Farmers and fishermen, see March 1.

MANUFACTURERS, RETAILERS and others liable for excise taxes, file quarterly excise tax returns for the fourth quarter of 1970 and pay the tax. Use Form 720. If the quarterly excise tax liability as shown on Form 720 (reduced by any monthly or semi-monthly

deposits for the quarter) is more than \$100, the unpaid balance must be deposited with a depository. Use Form 504. If the tax was timely deposited, see Feb. 10. Persons providing communication or air transportation service, see March 1.

EMPLOYERS—Final day for giving every employee Copy "B" and Copy "C" of Form W-2 showing income and Social Security information.

EMPLOYERS of four or more individuals on at least one day in each of 20 or more weeks in 1969 or 1970 must file a return and pay the

remaining federal unemployment tax for tax year 1970. Use Form 940.

EMPLOYERS file reconciliation of income tax withheld from wages transmitting Forms W-2, Copy "A." Use Form W-3.

EMPLOYERS file Form 941 for income tax withheld and Social Security taxes for the fourth quarter of 1970 and pay any taxes due. If the quarterly tax liability as shown on Form 941 (reduced by any monthly or semi-monthly payments for the quarter) is more than \$100, the unpaid balance must be deposited with a depository. Use Form 504. If the tax was timely deposited, see Feb. 10. Persons providing communication or air transportation service, see March 1.

EXCISE TAXES for the first 15 days of January due on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any one month during the quarter ended Dec. 31, 1970. Use Form 504.

PAYERS AND NOMINEES give annual statements to recipients of certain dividend and interest payments aggregating \$10 or more and certain stock options.

Feb. 3

EMPLOYERS must deposit income tax withheld and Social Security taxes on the wages paid during the last 16 days of January if they were liable for such taxes in excess of \$2,500 for any month during the quarter ended Dec. 31, 1970. Use Form 501.

EXCISE TAXES collected during the last 16 days of January must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

Feb. 7

EMPLOYERS whose cumulative undeposited liability for income tax withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within the next three banking days.

Feb. 10

EXTENDED DATE for quarterly returns—EMPLOYERS who made timely deposits of all income tax withheld and Social Security taxes due for the fourth quarter, 1970, file fourth quarter return. Use Form 941.

MANUFACTURERS, RETAILERS AND OTHERS who made timely deposits of all excise taxes

Official Tax Calendar *continued*

due for the fourth quarter of 1970 file fourth quarter returns. Use Form 720.

EMPLOYEES receiving cash tips in January of \$20 or more must report them to their employers. Form 4070 may be used.

Feb. 16

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit within three banking days.

EMPLOYERS with liability of more than \$100 for income tax withholding and Social Security taxes for January who did not have liability for such taxes in excess of \$2,500 for any month during the quarter ended Dec. 31, 1970, must deposit such liability on or before this date.

EXCISE TAXES for the last 16 days of January on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

Feb. 18

EXCISE TAXES collected during the first 15 days of February must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

Feb. 22

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes for the quarter reaches \$2,000 by this date must deposit liability within three banking days.

Feb. 24

EXCISE TAXES for the first 15 days of February on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter Dec. 31, 1970. Use Form 504.

Feb. 28

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes for February has reached \$2,000 must deposit within three banking days.

MARCH

March 1

ALL BUSINESSES must file annual information returns covering payments made in 1970 of certain dividends and interest and any original issue discount aggregating \$10 or more. Also include payments of rents, royalties, annuities, pensions, and other fixed or determinable income (including interest not subject to the \$10 reporting requirement) totaling \$600 or more. Use Forms 1096 and 1099, 1099OID or 1099M or 1087 or 1087B.

FARMERS AND FISHERMEN who did not elect to file declaration of estimated tax for 1970 on January 15 should file final income tax return (Form 1040) for 1970.

CORPORATE GRANTORS, TRANSFERORS, OR TRANSFER AGENTS file Form 4067 and Form 3921 or 3922 relating to options granted or exercised, and transfers of option stock.

SUPPLIERS OF COMMUNICATION OR AIR TRANSPORTATION SERVICE file quarterly excise tax return for fourth quarter of 1970 and pay tax. Use Form 720. If the quarterly excise tax liability as shown on Form 720 (reduced by any monthly or semi-monthly deposits for the quarter) is more than \$100, the unpaid balance must be deposited with a depository. Use Form 504.

MANUFACTURERS, RETAILERS AND OTHERS liable for more than \$100 of excise taxes for January, who were not required to make semi-monthly deposits, must deposit such taxes with a depository. Use Form 504.

EMPLOYERS whose cumulative undeposited liability for income tax withholding and Social Security taxes has reached \$200 for the first two months of the quarter must deposit such cumulative amount by March 15, if no deposit was made with respect to a quarter-month period in February.

March 3

EXCISE TAXES collected during the last 13 days of February must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

March 7

EMPLOYERS whose cumulative undeposited liability for income tax withholding and Social Security taxes reaches \$2,000 for the quarter must deposit such cumulative amount within three banking days.

March 10

EMPLOYEES receiving cash tips in February of \$20 or more must report them to employer. Form 4070 may be used.

March 11

EXCISE TAXES for the last 13 days of February on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

March 15

CORPORATIONS must file a 1970 income tax return, Form 1120, or application for extension, Form 7004, and pay to a depository at least 50 per cent of balance of tax still due. Use Form 503.

CORPORATIONS which have elected not to be taxed as corporations must file Form 1120S.

EMPLOYERS whose cumulative undeposited liability for income tax withholding and Social Security taxes reaches \$2,000 for the quarter must deposit such cumulative amount within three banking days.

EMPLOYERS whose cumulative liability for income tax withholding and Social Security taxes for the quarter was over \$200 but less than \$2,000 as of the last day of February must deposit on or before this date if they made no deposit with respect to a quarter-month period during February.

EMPLOYERS whose cumulative liability for income withholding and Social Security taxes for the first two months of the quarter exceeded \$200 by Feb. 28 must deposit such cumulative amount by this date.

March 18

EXCISE TAXES collected during the first 15 days of March must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970.

March 22

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within three banking days.

March 24

EXCISE TAXES for the first 15 days of March due on articles reportable on Form 720 (other than air transportation, communications, sugar and foreign insurance policies) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

March 31

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within three banking days.

MANUFACTURERS, RETAILERS AND OTHERS liable for more than \$100 of excise taxes for February, who were not required to make semi-monthly deposits, must deposit such taxes with a depository. Use Form 504.

APRIL

DURING THE MONTH you may (unless required to make semi-monthly deposits of withheld income and Social Security taxes or excise taxes) deposit income tax withheld and employer and employee Social Security taxes (Form 501), and excise taxes (Form 504)—regardless of amounts withheld or collected—for March, and gain an extension of time in which to file quarterly returns for such taxes, provided such taxes for January, February and March were timely deposited.

April 1

EXCISE TAXES due on sugar and foreign insurance policies for the first 15 days of March must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

April 5

EXCISE TAXES collected during the last 16 days of March must be deposited by persons providing communications or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended Dec. 31, 1970. Use Form 504.

April 7

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within the next three banking days.

April 12

EXCISE TAXES for the last 16 days of March on articles reportable on Form 720 (other than air transportation and communications) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any

month during the quarter ended Dec. 31, 1970.

EMPLOYEES receiving cash tips in March of \$20 or more must report them to employer. Form 4070 may be used.

April 15

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within the next three banking days.

INDIVIDUALS must file an income tax return for the calendar year 1970. The tax due must be paid in full with the return when filed. If applicable, with this return, Schedule "C" must be filed (Schedule "F" for farmers) and, in addition, Schedule "SE" must be completed in order that you may receive proper Social Security credit for self-employment income. Use Form 1040.

INDIVIDUALS must file a declaration of estimated income tax (including self-employment tax) for 1971 and pay at least 25 per cent of such tax. Use Form 1040ES.

PARTNERSHIPS must file a return of income for the year 1970. Use Form 1065.

CORPORATIONS must pay 25 per cent of their 1971 estimated income tax to a depository. Use Form 503.

April 20

EXCISE TAXES collected during the first 15 days of April must be deposited by persons providing communication or air transportation service if they were liable for more than \$2,000 of all taxes reported on Form 720 for any month during the quarter ended March 31, 1970. Use Form 504.

April 22

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within the next three banking days.

April 26

EXCISE TAXES for the first 15 days of April on articles reportable on Form 720 (other than air transportation, communications, sugar and foreign insurance policies) must be deposited if the liability for all taxes reported on Form 720 exceeded \$2,000 for any month during the quarter ended March 31, 1971. Use Form 504.

April 30

EMPLOYERS whose cumulative undeposited liability for income withholding and Social Security taxes reaches \$2,000 for the quarter by this date must deposit cumulative liability within the next three banking days.

EMPLOYERS with over \$200 but less than \$2,000 cumulative liability for March for income withholding and Social Security taxes must make March deposit by this date.

EMPLOYERS with \$200 or more liability for first quarter but less than \$200 liability in any one month for income withholding and Social Security taxes, file quarter return and remit March liability.

EMPLOYERS with liability of less than \$200 for first quarter for income withholding and Social Security taxes file quarterly return and remit total liability.

MANUFACTURERS, RETAILERS AND OTHERS file quarterly excise tax return for the first

quarter and pay the tax. Use Form 720. If the quarterly excise tax liability as shown on Form 720 (reduced by any monthly or semi-monthly deposits for the quarter) is more than \$100, the unpaid balance must be deposited with a depository. Use Form 504.

EMPLOYERS of four or more individuals on at least one day in each of 20 or more weeks in 1970 or 1971 must deposit at least two thirds of their actual federal unemployment tax liability with a depository. No deposit is necessary if two thirds of the liability for the current quarter does not exceed \$100. Use Form 508.

FISCAL YEAR TAXPAYERS

THE DUE DATES in the above Tax Calendar apply to all taxpayers whether they use a calendar or fiscal year except for the following items:

INDIVIDUALS—If you use a fiscal year, change the dates above for your income tax return and declaration of estimated income tax to the dates corresponding to the following:

FORM 1040 is due on or before the fifteenth day of the fourth month following the close of your tax year.

FORM 1040ES for your current tax year is due on or before the fifteenth day of the fourth month following the close of your last tax year. Payment of the estimated tax is to be made in four equal installments due on or before the fifteenth day of the fourth, sixth and ninth months of your current tax year and of the first month of your next succeeding tax year.

PARTNERSHIPS—If you use a fiscal year, change the due date of your return of income (Form 1065) to the fifteenth day of the fourth month following the close of your tax year.

CORPORATIONS—If you use a fiscal year, change the dates above for your income tax return and declaration of estimated income tax to the dates corresponding to the following:

FORM 1120 (or **FORM 7004**) is due on or before the fifteenth day of the third month following the close of your tax year. Payments of income tax must be deposited with a federal depository.

FORM 503, ESTIMATED TAX PAYMENTS for the current tax year is due on or before the fifteenth day of the fourth, sixth, ninth, or twelfth month of your current tax year, depending on when you first meet the requirements for filing. Payments of estimated taxes must be deposited with a federal depository.

A CORPORATION ELECTING NOT TO BE TAXED AS A CORPORATION must make election within the month before its tax year begins or within the month in which its tax year begins.

FORM 1120S is due on or before the fifteenth day of the third month following the close of the corporation's tax year.

DUE DATE ON SATURDAY, SUNDAY OR HOLIDAY—If the due date for filing a return or making a tax payment, etc., falls on a Saturday, Sunday or legal holiday, you may perform the act on the next succeeding day which is not a Saturday, Sunday or legal holiday. **END**



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References
First National Bank of Minneapolis
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DYNAMIC GROWTH COMPANIES

Arctic Enterprises, Inc.
Snowmobiles—"The
next best thing to girls"

William Ness (right), vice president and director of engineering, was 27 when he joined Arctic Enterprises. It was then eighth or ninth in an infant industry with perhaps 16 snowmobile makers. But he had faith in it. He scraped up every dime he could and bought its stock when it sold well below \$1 a share. Now his 160,000 shares are worth more than \$2.5 million. Mr. Ness helped develop the 1966-67 model Arctic Cat, the Panther, that boosted the firm's annual sales above \$2 million. Here he visits with Race Director Charlie Lofton, head of a crack team that has won many racing honors—and valuable publicity for the firm—on Arctic Cats.



In the big U.S. snow belt—from the ranches and farms of the West, to the towns and villages of New England—winter once meant people generally had to enjoy the indoors close to home. But not any more.

Thanks to a few pioneers like Arctic Enterprises, Inc., something new has been added. Namely, snowmobiles.

Ten years ago, there were almost none.

In 1963, snowmobile makers sold about 1,500 of these motorized sleds, the International Snowmobile Industry Association says. Three years later, sales climbed to 60,000.

This year, manufacturers say they will sell an estimated 600,000.

Already, more than a million snarl through woods, across fields, up hills and trails, and over lakes and rivers as soon as Jack Frost clamps his icy

grip on the northern United States. Snowmobiling, you may be surprised to learn, may be America's fastest growing sport.

Why has it caught on so fast?

"No competition!" one cynic cracks. "What else can you do outdoors when it's 10 below?"

Addicts, however, grow misty-eyed when you ask that question.

"Out on those sleds," one snowmobiler rhapsodizes, "you have such a feeling of freedom and openness! They take you to country you could never reach before except on snowshoes or skis."

Arctic Enterprises is located in Thief River Falls, Minn. Its founder, Edgar Hetteen, smilingly sums up its snowmobiles' appeal like this:

"Up here, we say they're the next best thing to girls."



President Lowell Swenson (left) is an ex-bomber pilot who flew 50 missions in Italy with the Fifteenth Air Force and later became a C.P.A. He took the Arctic Enterprises throttle in 1965. "I put all our eggs in one basket," he says. "We didn't have too many people—about 25 year-around—so we dropped all models but one and put all our efforts on that." The result: A slick-looking Cat, slimmed down from 480 pounds to 350, with a peppy two-cycle engine. It sold like hot cakes. Mr. Swenson here is with son Philip (center) and Race Director Lofton.

At first, snowmobiles were big, heavy workhorses.

Now they're light, swift—and fun.

Arctic Enterprises had a lot to do with that. In 1966, it brought out a lightweight Arctic Cat, with an aluminum-tubing riveted chassis; a powerful, pint-sized two-cycle engine; an improved slide-rail suspension system; a jazzy color scheme and a new name: The Panther.

That year, sales hit almost \$2.4 million, up from less than \$1 million in '65. Last year, sales were \$46 million. This year, they may reach \$60 million.

Thief River Falls has 8,600 people—and about 2,000 snowmobiles. Big races, like the annual rally at Eagle River, Wisc., will draw 75,000 spectators.

Snowmobiles are useful as well as pleasurable.

Canada's Mounties are replacing dog sleds with snowmobiles. Utility companies use them in winter to service power lines. Ranchers have called on them to rescue snowbound sheep. Lumber firms find them handy for surveys.

Their swift success still fascinates old-timers in the young, mushrooming snowmobile industry.

Steve Rugland, Arctic vice president, reminisces: "In 1962, I took a trailer-load of the sleds, drove from Maine to Alaska—and sold six of



Snowmobile racing lasts from late November until mid-March. This season included some 225 races—17 for the Feb. 20-21 weekend alone. "Every little town has its own rally," says Mr. Swenson. "At Thief River Falls' first meet, they sold 1,400 \$1 admissions, then ran out of tickets; 3,800 spectators showed up." Two members of Arctic's 12-man racing team are at right. Says Mr. Swenson: "Winning is important. Snowmobilers buy winners."

Arctic Enterprises, Inc. *continued*



Assistant Vice President, Manufacturing, Edward Mazurek (left) and Secretary-Treasurer John Penn in the firm's big, new Thief River Falls plant. The No. 1 U. S. snowmobile maker employs more than 1,100 people in a town of 8,600.

Mr. Penn, 31, takes his son Timothy out for a spin. An M.B.A. from Dartmouth, where he was campus heavyweight wrestling champ, Mr. Penn finds his firm "the most exciting company I have seen."



In 1960, Edgar Hetten, Arctic's vice president, sales, led a 1,200-mile winter trek from the Bering Sea to Fairbanks, Alaska, on snowmobiles. His trip helped sell the public on them. "They have it all over dog sleds," he quipped. "For one thing, they don't eat fish." Here he films Arctic's racing team in action at Ironwood, Mich.

them. I'd pull up in a town, and someone would point to them and say: 'What's that?'

"I'd say: 'A snowmobile.'

"He'd say: 'What's it for?'

"I'd say: 'To ride in the snow.'

"Then he'd give me this real funny look and ask: 'Who in the blankety-blank would want to go out in the snow?'"

ANSWER: More than a million Americans who now own snowmobiles.

END



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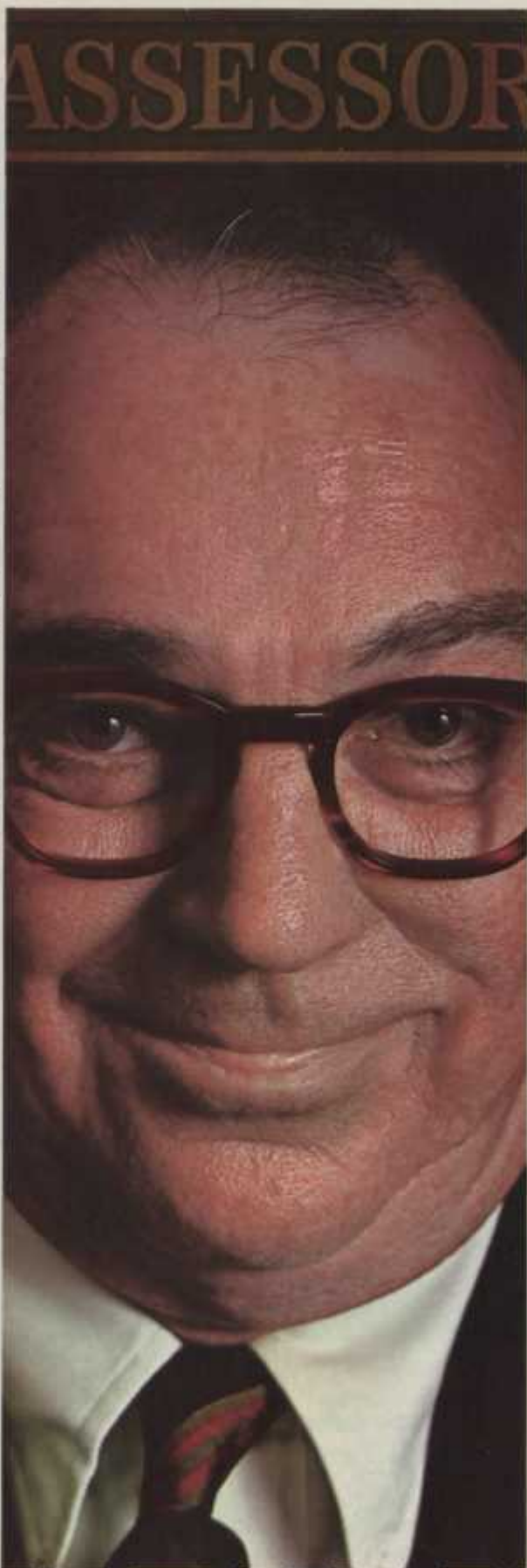
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Designing the Silent Salesman

PHOTO: LEO HOFFMAN—ELMER STAN



Frank Gianninoto has a big hand in the sale of \$3 billion worth of products annually. He designs the packages that contain them.

Ever buy a pack of Tiparillos?

Or stow away some La Choy chow mein?

If your answer is Yes, then your life has been touched by one of America's true supersalesmen: Frank Gianninoto.

You would be unusual if it hasn't.

Every year, consumers buy more than \$3 billion worth of products that come in packages designed by Frank Gianninoto and Associates, Inc. His New York-based firm created the packages for two of the nation's six best-selling brands of cigarettes—Kool and Marlboro—as well as for many other popular makes.

It has performed a similar service for Lipton's salad dressing, Birds Eye frozen foods, Grant's Scotch, Welch's grape juice, Buitoni's spaghetti, Chux disposable diapers—and many other products.

Its clients include Canadian, Latin American and European firms.

Gianninoto packages sell Record brand cigarettes in Mexico, Herta soups and sausages in Germany and Dutch N. V. Philips magnetic recording tape all over the world.

Mr. Gianninoto is one of a handful of trailblazers who revolutionized U. S. package design.

Making good in bad times

"I started my firm in 1931," he says. "It was in the depths of the Depression. But strangely enough, it was a good time for me to start.

"Supermarkets were just beginning to sprout up all over the country. And they ushered in the heyday of package design.

"They did away with the grocery clerk who sold you pickles out of a barrel, cookies out of big tin boxes, and sugar, rice and beans out of bins.

"When he disappeared, who began to sell the product? The package did. And that's the way it is today.

"That package on the shelf must attract your attention and deliver a winning sales pitch. It must introduce itself, describe its contents and convey an air of superiority over its rivals that jostle it for space on the supermarket shelves.

"And it must do all this without a spoken word—just color, design and type."

Some firms had to make quite a transition.

"My first client," says Mr. Gianninoto, "was Flintkote Corp. It made roofing materials, shingles, cements, tars and similar products. Each one was put up in a box or can with small, dissimilar labels.

"The name of the product was modestly displayed. The name of the company was almost invisible.

"I talked them into a new trademark.

"It made the name of the company and the name of the product jump right off the can. On a shelf, you could spot it a mile away."

The Flintkote operation displayed the hallmarks of all Gianninoto design. Namely bold color, simplicity, legible type and strong product identification.

The Howard Johnson Co., another client, had an identification problem.

"It was using two logos," Mr. Gianninoto says.

"For its motor lodges, it used a drawing of a lamplighter—which suggests hitting the hay.

"For its food service, restaurants and grocery products, it used a silhouette of Simple Simon. He was on all the ice cream, soft drinks, soups and other products it sold through supermarkets.

"But when people saw Simple Simon, they didn't link the product with that good roadside restaurant where they'd had a nice meal.

"Research showed that what the public associated with Howard Johnson's was its distinctive roof—and orange and turquoise color scheme.

"We took the roof, printed in those two colors, and put it on all Howard Johnson grocery products. Now, when people see them, they know instantly where they came from."

7-Eleven is rolling

Then there is the case of Southland Corp.

"Four years ago," as Mr. Gianninoto tells it, "Southland Corp. came to us and said: 'We're successful. We have 16 dairies and over 2,500 7-Eleven stores. But take a look at us and see if we're doing anything wrong.'"

"We found a number of things that could be done better—from a design point of view. So we fixed them, like completely redesigning their dairy products packages."

How's Southland doing now?

"It has doubled its volume," Mr. Gianninoto says with a grin, "and it has 3,500 7-Eleven stores instead of 2,500."

END

Is Your Company Lonesome?

A privately owned firm
can find benefits
in going public,
merging—or staying
the way it is

PUBLIC COMPANY TRADED OTC SEEKS ACQUISITION
For cash or stock, profitable injection moulding or screw machine company in the New York metropolitan area. Prefer company selling a proprietary line to the electronics industry. Minimum net after taxes—\$25 million.

Dozens of "business opportunity" ads like this appear in the press daily.

Some are offers to buy. Others are offers to sell—or merge.

All reflect the rapidly growing, rapidly changing U. S. business environment, with its combination of a rising population and higher incomes fed by real growth and inflation.

Against this background, many companies have increased in size and many small and modest-sized companies have reached the point where they can consider going public or are good merger partners.

Whether your company should remain private or go public depends upon many factors: Growth rate, size, ability to obtain financing, age and health of the owner and whether he has family members to succeed him, depth of management and trends in the stock market. Each company must examine its own situation to determine its best course of action.

In recent years, many privately owned firms have found great merit in going public.

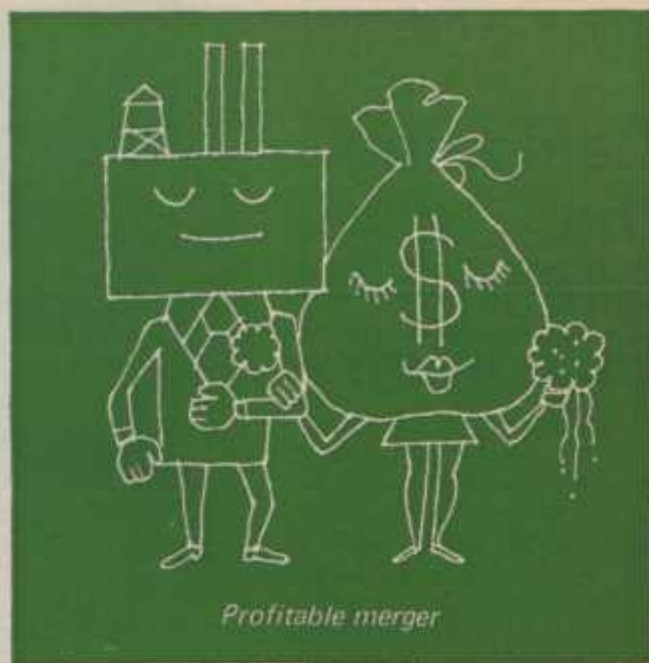
For example, David North and Associates, an executive recruiting firm, set forth on an ambitious overseas expansion program. It also decided to set up an international, computerized executive talent bank.

Both projects were expensive.

So it went public. It soon raised enough capital to make both goals practical.

There are many reasons why firms go public. The need for additional capital is the single most important factor for small firms. Often, money is needed to expand capacity, to modernize or to enter new lines of business.

JULES BACKMAN, author of this article, is a research professor of economics at New York University.



A family corporation may find it hard to raise from private sources the large amounts of capital required to finance dynamic growth. Moreover, it can't borrow enough from banks unless it has an ample equity base.

Publicly held companies, however, can tap a large pool of equity capital available through Wall Street.

Other reasons for going public include:

- Desire to diversify. Having all or practically all of one's wealth in a single company can be pretty risky in today's technologically dynamic world. New products and new consumer buying patterns may erode what was a solid business. By selling an interest in the business while still retaining control, one can have the best of both worlds—continue to control the company and obtain diversification at the same time.
- The ability to meet heavy estate taxes when the owner of a privately held company dies may require liquidation of a business unless large sums are available through insurance or other sources. As companies have grown in size and in value, this has become an increasingly important problem. By having securities in a publicly owned company, this problem can be handled more easily.
- Desire by owners to obtain greater liquidity or to "cash in their chips." By going public, older owners can more readily retire from a business if they wish. In a roaring bull market, such as developed during most of the 1960s, the public snapped up most new issues and bid them up to premiums—fantastic premiums, in many cases. Visions of "instant wealth" can be pretty heady medicine and undoubtedly induced many companies to go public.
- Competition to obtain good management is very intense. A publicly owned company can offer valuable stock options to attract new management or to hold employees. The company that cannot meet the monetary incentives available elsewhere cannot attract the new talent required for continued profitable growth.
- A company with publicly traded securities is in a more favorable position to acquire other companies through the issuance of securities. Going public is a

necessary first step for any large-scale external expansion program.

Other companies have turned to mergers to grow—or survive.

Before World War II, for example, silk stocking manufacturers had almost a lock on the U. S. market. But synthetic fibers changed that—and more.

Chemical companies brought out a host of man-made fibers, from nylon to new insulating materials. Businessmen who foresaw the impact of these new synthetics either adapted their operations to them or bought or merged with other firms that could process them.

There obviously are many advantages to the acquiring company.

- It can enter new markets more quickly and sometimes at lower cost than when a production capability and market must be built from scratch.

- Financing an acquisition through an exchange of securities may be easier than selling them to finance a new plant.

- There is less risk involved in acquiring a going concern, with its know-how.

- Able managers may be acquired.

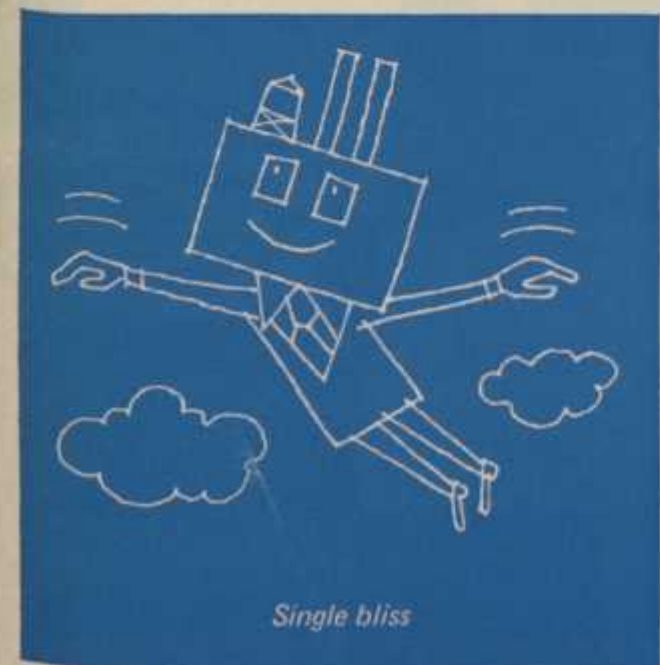
- The acquiring firm may become more diversified. This protects it against wide fluctuations in volume (for example, some defense contractors have bought manufacturers of civilian products to provide some stability) or may be a hedge against reduction in sales of important existing product lines (for example, the diversification of cigaret companies into other lines).

- Tax consideration may be important where the acquired company has a loss carry-forward.

- A handsome dowry may come along with a bride. This is the case when an acquired company has large liquid assets.

It is important for the acquired company to keep these benefits to the acquiring company in mind. Its bargaining power is increased where it can contribute one or more of them to the combination.

However, merging or going public isn't necessarily the key to success in the '70s.



Single bliss

REPRINTS: CHARLES A. SUNE



Time to diversify

If you own a small, or medium-sized company, you may be wise to keep it that way. Or even if you own a big one.

Cargill, Hughes Aircraft, Reader's Digest, S. C. Johnson & Sons, John Wanamaker and Hallmark Cards are privately held companies. All have annual sales of \$175 million or more.

Obviously, being your own boss, and running your own show has many rewards. You'll lose some of that independence if you go public or merge into a bigger firm.

There are other advantages to remaining private and doing it alone as well:

- Less management time must be devoted to dealing with shareholders, financial analysts and public regulatory authorities.

- Competitors are less likely to learn important facts about your business. This is particularly important for smaller companies which specialize in a single product or a small number of product lines. Published financial data (which SEC requires of publicly owned firms) can reveal costs and profit margins as well as market shares.

- Investments which have no immediate payout—or are unsuccessful—can be more readily undertaken without worrying about stockholder reactions.

- Public ownership may mean that other stockholders will seek to influence corporate policy or grab control of the company.

- Costs of underwriting can be very heavy.

We live in a dynamic world. But there is no magic formula which will assure any company, big or small, that it will share in our economy's growth. Even giant industries have their problems.

Only one thing is sure. The company that stands still will lose out.

END

REPRINTS of "Is Your Company Lonesome?" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

Checkmate?



A
LOOK
AHEAD

The urban action game is in danger of being checkmated.

On one hand are those who believe that businessmen are morally and socially obligated to take an active role in solving the urban problems of the cities in which they live and work.

On the other side are those who contend that the only social responsibility of business is to make a profit.

The move to avoid checkmate is in-between.

You, the business leader, know it serves your interest best to help your community solve the problems that are eroding our society and its economic system.

And it's also true that dealing with these problems is a long-term investment in maintaining a healthy business climate that produces better profits.

We've made some moves in the urban action game too. We built an URBAN ACTION CLEARINGHOUSE featuring actual case studies in community problem-solving . . . from crime control to manpower development, etc.

These are successful working programs that have been validated for effectiveness by the National Chamber.

Packaged as individual case studies for the businessman who is ready to zero-in on his pet problem or as an overview of action for the businessman who is looking for a place from which to start, the URBAN ACTION CLEARINGHOUSE breaks the checkmate. Check it out by phone (202-659-6172) or by letter.

It's your move!

CHAMBER OF COMMERCE OF THE UNITED STATES
1615 H Street, N.W.
Washington, D.C. 20006

BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Experts see a market for some 200 million more bushels of soybeans by the end of the year. This is just about the output of Illinois, the nation's leading soybean producer, which grew 206 million bushels last year.

In 1970, approximately 41.6 million acres were planted, producing 1,134 million bushels. Of this, 450 million bushels were exported. In addition, the soybean industry

used some 161 million bushels from carry-over stocks. Good news to farmers has been greater yield per acre—up nearly three bushels in five years for a gain of nearly 12 per cent in output. But, according to the National Soybean Processors Association, world-wide demand is now rising at an average annual rate of 8 per cent.

To grow those extra 200 million bushels will call for cultivating 730,000 more acres.

CREDIT AND FINANCE

As a group, consumers ended 1970 holding some four times more in liquid assets than they owed in short-term debt. That ratio, it's predicted, will shrink this year, providing a pleasant jolt for the economy.

Looking at the prospects for 1971, Dr. S. Lees Booth, vice president of the National Consumer Finance Association, sees total

personal income rising by 8 per cent to an estimated \$865 billion.

After adjustments for tax payments, etc., there should be about \$740 billion remaining as disposable income, compared to \$684 billion in 1970. And Dr. Booth forecasts that consumer spending will rise by 10 per cent.

LABOR

There could be more than changes in collective bargaining procedures for construction trades unions to worry about this year. The Davis-Bacon Act is slated for renewed attention.

Some obviously inflationary wage increases gained in 1970 prompted President Nixon last December to call for regional bargaining in the construction industry. And before that, business groups such as the Associated General Contractors of America and Associated Builders and Contractors, Inc., were serving notice of a campaign to repeal Davis-Bacon, a 1931 law that requires prevailing wage rates to be paid on

public construction projects. Associated Builders and Contractors contends that due to inflation, most moderate-priced family housing in the future will have to be government subsidized, thus falling under Davis-Bacon. Having to pay prevailing (union) rates to low-productivity trainees will adversely affect contractors' job-training programs for disadvantaged workers, this organization says.

The AFL-CIO Building and Construction Trades Department meanwhile has established a Davis-Bacon Coordinating Committee—to prod the Labor Department for faster action on wage appeals.

NATURAL RESOURCES

The coal industry's prospects continue to brighten.

Increased needs of utility companies will raise coal consumption by 15 million tons this year to 604 million tons. Up ahead is synthetic gas produced from coal. Industry experts believe it could be competitive with natural gas by 1980.

There is plenty of coal if that comes about. In fact the nation hasn't made a

dent in its reserves, especially the "stripping" coal lying within 150 feet of the surface in 26 of the states.

According to Department of Interior and National Coal Association figures, that reserve of bituminous coal and lignite amounts to 128 billion tons. Currently about 200 million tons are being strip-mined annually. At that rate the supply is sufficient for nearly 700 years.

CONSTRUCTION

New construction this year may not boom as much as has been predicted, but all indications point upward over 1970. A dollar volume increase of 6 per cent—to \$97 billion—is forecast for 1971, along with a changing product mix.

Housing starts during 1970 dropped 6 per cent below the 1969 level. However, Edwin W. Magee Jr., vice president of MacKay-Shields Economics, Inc., predicts an upturn that began in the last half of 1970

will continue, prompting a 13 per cent gain in 1971. This means 1.6 million new residential units, excluding mobile homes.

The weakest sector, in Mr. Magee's estimation, will be nonresidential construction—down 5 per cent to approximately \$30.1 billion, due to a continuing profit squeeze. Going up will be nonbuilding construction—by 7 per cent to \$31.1 billion.

The outlook is for a new all-time high in construction.

LEISURE

Hollywood may be saying hooray if the market for feature-length motion pictures in the new subscription television business lives up to advance notices.

Zenith Radio Corp. Board Chairman Joseph S. Wright sees a new box office era for the once flourishing industry. Patrons will be millions of television viewers throughout the nation with decoders on their sets

to receive Zenith's Phonevision STV system. A six-year test at Hartford, Conn., showed that subscription TV didn't hurt local theater attendance. Zenith estimates that 90 per cent of U. S. families do not see even the most popular new films in theaters.

Subscription TV, it's estimated, will need 100 new films annually—bringing Hollywood hundreds of millions in rentals.

MANUFACTURING

Sales in the chemical industry are expected to rise by more than 5 per cent this year above the \$58 billion level recorded in 1970—which exceeded the 1969 performance by about \$3.5 billion. And chemical prices, on an index basis, have finally climbed back to the 1959 level after a long decline.

The easing of tight money is expected to bring upwards of a 5 per cent increase

in capital expenditures above the \$3.46 billion spent in 1970. However, rapidly rising construction costs have slowed needed expansion.

Dr. Carl A. Gerstacker, Dow Chemical Co. board chairman, anticipates a 7.5 per cent gain in physical volume in industrial chemicals, but says "demand will outstrip supply for years to come."

MARKETING

Marketers set great store on the eye-catching ability of labels to attract the shopper, but emphasis on consumer education and protection is forcing some changes.

If recommendations of University of Illinois scientists working on an Agriculture Department contract are adopted, the size of the type giving precautionary information and directions on pesticide labels probably will be about twice that commonly used.

The language will likely be made simpler,

too. The USDA's Agricultural Research Service says only those with at least 10 years of formal education are now able to comprehend the average pesticide label.

No mention was made in a recent USDA announcement of a very important fact with regard to labeling potentially deadly pesticides—the latest Bureau of Labor Statistics figures place the median educational level of all males in the agricultural work force at 9.2 years.

TRANSPORTATION

In case you weren't aware of it, the United States hasn't had an official national atlas. Some 35 other nations do. Now we do, too, and it's going to be a big assist to all types of planners, including those in the transportation industry.

Eight years in preparation by the Interior Department's U. S. Geological Survey, the 336-page atlas rolled off the press in January. More than 80 government agencies,

private businesses and other sources cooperated by providing the Geological Survey with data.

The 14-pound volume will be a standard reference throughout the world. Of prime interest to business are sections on physical, economic and social characteristics.

The atlas can only be purchased from the U. S. Geological Survey, Washington, D. C. 20242. The price—\$100.

EDITORIAL

A NEW TWIST

Remember the old saying, "Two wrongs never made a right"?

These days there's some talk about wrongs, but much more about "rights"—the "right" to a guaranteed income, the "right" to health care, the "right" to a handsome pension. All of which would cost enormous amounts of money.

Those of us who would have to pay for all these things may be beginning to wonder whether the old saying shouldn't be given a new twist:

Maybe too many "rights" can make a wrong.

Unheard of!

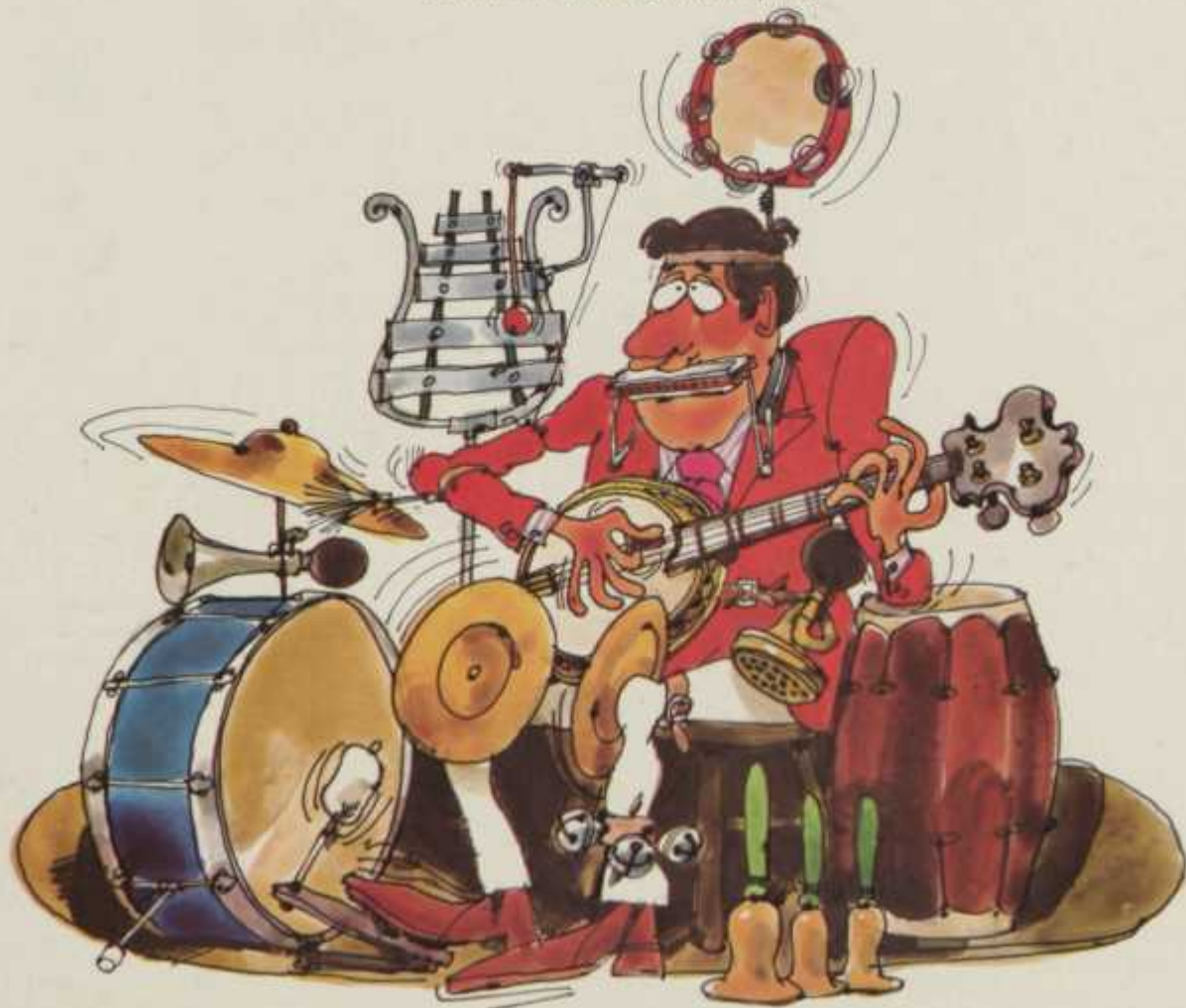
New insurance ideas, like a group plan for one person.

Must group insurance advantages be enjoyed only by big groups? Or rich groups? Our specialists said, "Unheard of!" and invented three ways the cost of group life insurance could be shared by employers and employees. *Solo* for fewer than 10 people (even one!). *Top* for most businesses. And *Val-U-Group* for larger employers. Employer premiums are tax deductible. Stabilize fringe benefit costs. Yet, eligible employees can

elect attractive options, including permanent cash value coverage at less than individual rates. Something new in retirement programs, too: *The Answer Plan*. This concept of Continental Assurance, of CNA/insurance, allows small employers to start a plan preapproved by the Internal Revenue Service, almost as easily as buying fire insurance. And through the same man—a local independent agent!

Continental^{Life} Assurance: The Great Unknown

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New 50 horsepower Evinrude Lark.

Never has so little done so much.

Smaller than last year's "33" — It doesn't look like 50 hp. But it goes like 50 — and then some. Does all the things any motor in its class will do — and more. Does them better, on less fuel, because it does them so much more efficiently.

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With straight-in, straight-through fueling — The fuel charge gets where it's going — fast. No chance for settling out or puddling. All the fuel

is used for power. None drains overboard.

Pressure-backed piston rings (pat. applied for) — A new kind of compression ring that seals by combustion pressure rather than spring tension. The higher the pressure, the better the seal. Reduces friction, virtually eliminates ring sticking.

Pressure-pulse exhaust tuning — Uses the energy of sound to produce a super-charging effect from the exhaust side — that adds several horsepower "free". The first time ever on a production twin.

Computer-designed lower unit — Puts the power to work more effi-

ciently and keeps underwater drag to the irreducible minimum.

Electronic ignition — push-button shifting — Faster-firing zap-gap spark plugs last for years. Push-button shifting lets you change direction with a finger touch. A new cooling system keeps the engine cool when it's running fast — and warm and efficient when it's running slow.

They call this new 50 hp compact "The Little Giant." Never has so little motor done so much.

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